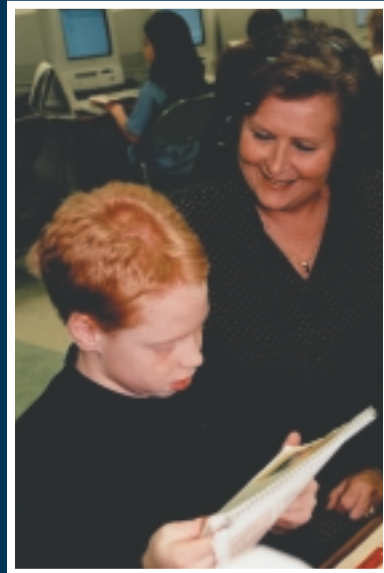


NEW HAMPSHIRE RETIREMENT SYSTEM

A Component Unit Of The State Of New Hampshire*



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

*Please refer to footnote on the title page.

INTRODUCTORY ECTION

Cover photos: The New Hampshire Retirement System salutes its members for their hard work and professionalism (clockwise from top left): Lt. Timothy McGinley of the Concord, NH Fire Department at the scene of a fire. Photo courtesy of Jay Heath. New Hampshire Department of Transportation (NHDOT) road crew members at work on a highway project. Photo courtesy of NHDOT. Teacher Barbara Doyle shown tutoring one of her students. Photo courtesy of Carol Garstarphen. New Hampshire State Trooper Ian Berkely investigating a car accident. Photo courtesy of New Hampshire Department of Safety.

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE NEW HAMPSHIRE RETIREMENT SYSTEM

A Component Unit of the State of New Hampshire*

For The Fiscal Year Ended
June 30, 1999

Maurice L. Daneault
Deputy Executive Secretary

J.P. Singh, CPA, MBA
Director of Finance

* In accordance with Governmental Accounting Standards Board (GASB) 14, the New Hampshire Retirement System is a component unit of the State of New Hampshire for financial reporting purposes because the State has budget oversight over administrative expenses.

Prepared by
New Hampshire Retirement System
4 Chenell Drive
Concord, New Hampshire 03301-8509

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*In Fond Memory of
Mr. Harry Descoteau,
Executive Secretary*

1935—1999

The Board of Trustees and the Administrative Staff of the New Hampshire Retirement System are saddened by the July 28, 1999 passing of Executive Secretary Harry M. Descoteau. Harry, as he informally and unpretentiously preferred being called, was 64.

Harry served the New Hampshire Retirement System with utmost dedication and compassion for the last 32 years. He planned to retire at the end of October 1999 and was looking forward to sharpening his golf game. However, his health took an unexpected turn when doctors diagnosed cancer a few months before his passing.

Harry will be missed by the staff and trustees for his leadership and oversight in conducting the day-to-day operations of the System; he will also be missed for his forthright attitude in keeping the New Hampshire Legislature informed on the status of the retirement system trust fund. His deep concern for the members of the System and his uncanny ability to impartially balance their interests with the interests of participating employers will be difficult to replace.

Harry began his career in State government more than 35 years ago as an accounting professional. He was appointed as the first Assistant State Treasurer and, in 1967, as Secretary of the New Hampshire Retirement System when four individual retirement plans for Employees, Teachers, Police Officers and Firefighters were consolidated into the New Hampshire Retirement System. In 1977, Harry was appointed to the newly-created position of the System's Executive Secretary. He successfully and enthusiastically led the administrative operations of the System from its inception.

Under Harry's direction, the System grew multifold in both membership and financial assets. He always kept focused on progressively responding to a dynamic economic environment and increasing needs of the membership by developing goals and strategies to improve member services. Through thirty-two years of numerous economic and legislative changes, Harry's guidance and leadership maintained the System's core qualities of strength, stability and innovation as its building blocks. His staunch belief in an interactive approach to public pension plan administration enabled staff to meet its fiduciary responsibility and deliver quality service to members and participating employers.

Harry also earned the confidence of the New Hampshire Legislature as he served as the spokesperson of the Board of Trustees. He established trust and reliance among legislators by providing in-depth knowledge and information of the System's operation, and, he fulfilled their need to understand public pension plan administration as they engaged in making important decisions about benefit funding and legislation.

On a personal level, Harry was a very warm and generous human being and will be sorely missed by his family, friends, the System's administrative staff, trustees and business associates. As Edward Theobald, the Chairman of the Board of Trustees of the New Hampshire Retirement System, so eloquently stated, "Harry's death has left a big void for us to fill. We can find a replacement for his position but we will not be able to 'replace' Harry."

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CERTIFICATE OF
ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Hampshire Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

LETTER FROM THE CHAIRMAN

NEW HAMPSHIRE RETIREMENT SYSTEM

EDWARD J. THEOBALD
Chairman, Board of Trustees
(603) 427-0911

HARRY M. DESCOTEAU
Executive Secretary

MAURICE L. DANEALD
Deputy Executive Secretary

J. P. SINGH
Director of Finance



The Granite State

BOARD OF TRUSTEES:

Andrea Amodeo-Vickery
Arthur J. Beaudry
Rep. Merton S. Dyer
David B. Goldstein
Thomas M. Hurley
Sen. John A. King
Dennis E. Kinnan
Glenn L. Levesque
Joseph G. Morris
William S. Perron
Dale K. Robinson
Edward J. Theobald
Georgie A. Thomas

November 16, 1999

To: The Members of the New Hampshire Retirement System

As Chairman of the Board of Trustees of the New Hampshire Retirement System (NHRS), I am pleased to present the audited Comprehensive Annual Financial Report for the fiscal year ended June 30, 1999. The report presents the combined assessment of investment results and financial condition of the Pension Plan and the Postretirement Medical Plan. The data contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and result of operations of the NHRS.

Each participant of our system deserves the security of well-funded benefit plans. The current funded status of the NHRS, the actuarial procedures adopted by the Board on a continual review basis, and the prudent investment strategies of the Board are all designed to produce this desired result.

The NHRS' diversified investment policy, on balance, continues to be highly effective. The major financial markets during fiscal year 1999 produced superior returns for the NHRS. The investment policy adopted by the Board of Trustees is designed to generate competitive total returns on a long-term basis at an acceptable level of risk as compared to the various asset class indices. The Board of Trustees is pleased to report that the total fund investment return for fiscal year ended June 30, 1999 was 14.4%. Equally impressive were the average annual fund returns of 16.8% and 17.6% for the past three and five fiscal year periods respectively.

The role of the Board of Trustees is to ensure that the financial interests of all plan participants are adequately safeguarded over the long term. To this end, the NHRS' investment growth over the years has been exceptional, employer contribution rates remain reasonable, and the Pension Plan assets exceed the accumulated pension liability by 21.8% as of June 30, 1999.

We are mindful, nevertheless, that the NHRS operates in a dynamic economic environment. The challenges of investing NHRS' funds strategically to achieve above average returns balanced with controlled risk in an increasingly complex and competitive global economy are greater than ever. The Board strives to minimize the impact of these external influences by diversifying among a broad range of asset classes and by employing active portfolio managers with recognized expertise in managing each of these asset classes. Each manager is expected to out perform appropriate market indices over a full market cycle of three to five years. In addition, the Board continually monitors its operating environment, keeping a watchful eye on regulations, court decisions, and legislation for the effects they may have on the operation of the NHRS.

The Board of Trustees is appreciative of the hard work and continued dedication of the Administrative Staff. The entire Administrative Staff deserves recognition in meeting the Board of Trustees' goal of providing quality service to all the plan participants.

The NHRS had been closely monitoring the progress of the new Y2K compliant Administrative Information System (AIS) which was under development for the last two years. However, because of the time sensitive nature of this project, and after a careful review, the NHRS reached a decision to terminate this project and to re-deploy the staff resources instead to complete the work on the existing mainframe system to make it fully Y2K compliant. The enhanced mainframe system has



Edward J. Theobald

been fully tested for Y2K readiness and we also have a contingency plan in place to address any unexpected contingencies down the road. In addition, we also have been in constant communication with the NHRS' service providers to ensure that their mission critical systems are Y2K compliant and have been fully tested. In November 1999 a comprehensive review of NHRS' Y2K Readiness was presented to the Board.

For the year ended June 30, 1999, 14,367 retirees and beneficiaries received pension and medical benefits totaling \$161.6 million. There are 46,672 active and inactive members participating in the NHRS.

I also want to recognize the commitment of my fellow Board members, who have worked so diligently to ensure the successful operation of the NHRS. The Board is keenly aware that many forces will shape and influence the NHRS in the coming years and that we constantly need to stay ready to meet these challenges.

The Board, with help from the System's actuary and investment advisors, has crafted an investment strategy designed to produce excellent returns with moderate overall portfolio risk exposure. This has been made possible through the use of the "Prudent Investor Rule," which has been in place for over eight years. The Prudent Investor Rule provides a more efficient mandate for proper diversification of investments, an opportunity to achieve significantly higher investment returns and allows the System to fulfill the ever-so-important mission: to maintain the financial stability of the NHRS trust fund.

Sincerely,



Edward J. Theobald
Chairman of the Board of Trustees
New Hampshire Retirement System

BOARD OF TRUSTEES

Edward J. Theobald

*Chairman
Public Member
August 1997 to July 2001*

Andrea Amodeo-Vickery, Esq.

*Public Member
February 1999 to July 2000*

Arthur J. Beaudry

*Firefighter Member
January 1988 to July 2000*

The Honorable

Merton S. Dyer

*New Hampshire
House of Representatives
October 1995 to January 2000*

David B. Goldstein

*Police Officer Member
November 1996 to July 1999*

Thomas M. Hurley

*Firefighter Member
August 1987 to July 1999*

The Honorable John A. King

*New Hampshire Senate
January 1995 to January 2000*

Dennis E. Kinnan

*Employee Member
August 1996 to July 2000*

Glenn L. Levesque

*Employee Member
September 1995 to July 1999*

Joseph G. Morris

*Teacher Member
January 1990 to July 2000*

William Perron

*Teacher Member
November 1983 to July 1999*

Dale K. Robinson

*Police Officer Member
December 1993 to July 2000*

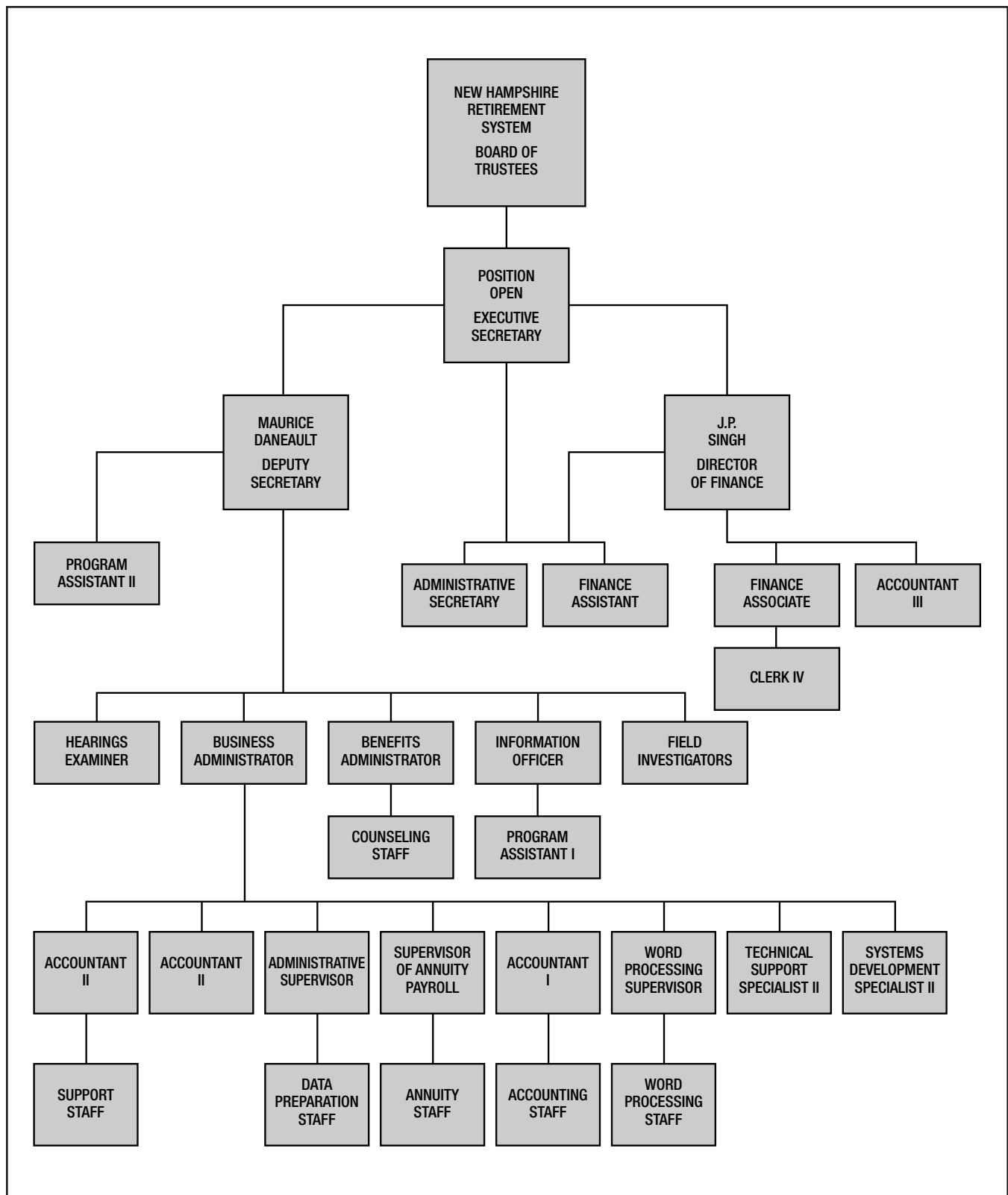
Georgie A. Thomas

*State Treasurer
July 1994 ex officio*



Back row, left to right: Glenn Levesque, Thomas Hurley, William Perron, Joseph Morris, Dale Robinson, David Goldstein, Arthur Beaudry. Front row, left to right: Representative Merton Dyer, Dennis Kinnan, Chairman Edward Theobald, Andrea Amodeo-Vickery, Senator John King. State Treasurer Georgie Thomas was absent when the photo was taken.

ADMINISTRATIVE ORGANIZATION



PROFESSIONAL MANAGERS, ADVISORS AND SERVICE PROVIDERS

DOMESTIC EQUITY MANAGERS

Fred M. Alger Management Company
New York, New York

American Express Asset Management
Group, Inc.
Minneapolis, Minnesota

Ark Asset Management Company, Inc.
New York, New York

Cutler & Company, Inc.
Medford, Oregon

Dalton, Grenier, Hartman, Maher & Co.
New York, New York

Duncan-Hurst Capital Management
San Diego, California

Institutional Capital Corporation
Chicago, Illinois

Invesco Management & Research, Inc.
Boston, Massachusetts

Jennison Associates Capital Corp.
New York, New York

Peachtree Asset Management
Atlanta, Georgia

Provident Investment Counsel, Inc.
Pasadena, California

DOMESTIC FIXED INCOME MANAGERS

Income Research & Management, Inc.
Boston, Massachusetts

Putnam Advisory Company, Inc.
Boston, Massachusetts

State Street Research & Management
Company
Boston, Massachusetts

TCW Asset Management Co., Inc.
Los Angeles, California

INTERNATIONAL EQUITY AND FIXED INCOME MANAGERS

Bank of Ireland Asset Management
(U.S.) Limited
Greenwich, Connecticut

Brandywine Asset Management, Inc.
Wilmington, Delaware

Genesis Asset Managers, Ltd.
London, England

Montgomery Asset Management, LLC
San Francisco, California

Mercury Asset Management
International, Ltd.
New York, New York

Rogge Global Partners, Inc.
Westport, Connecticut

Scudder Kemper Investments
New York, New York

TIMBERFUND MANAGERS

MONY Life Insurance Company
Purchase, New York

UBS Brinson Resource Investments
West Lebanon, New Hampshire

ALTERNATIVE INVESTMENT MANAGERS

Allegra Capital Partners III
New York, New York

Brand Equity Ventures
Greenwich, Connecticut

Castle Harlan Partners II & III, L.P.
New York, New York

Coral Partners II, IV & V, L.P.
Minneapolis, Minnesota

Energy Investors Fund I & II, L.P.
Boston, Massachusetts

Euclid Partners III & IV, L.P.
New York, New York

HEV III US, L.P.
London, England

Lawrence, Tyrrell, Ortale & Smith II, L.P.
New York, New York

New England Growth Fund I & II, L.P.
New England Partners III
Boston, Massachusetts

North Atlantic Venture Fund I & II, L.P.
Portland, Maine

APA Excelsior IV & V, L.P.
New York, New York

Prism Venture Partners I & II
Westwood, Massachusetts

RFE Investment Partners VI, LP
New Canaan, Connecticut

Richland Ventures I & II, L.P.
Nashville, Tennessee

Schroder German Buy-Outs 1992, L.P.3
London, England

Southern California Ventures II, L.P.
Torrance, California

Sprout VI, VII & VIII, L.P.
New York, New York

TCW/Crescent Mezzanine Partners L.P.
Los Angeles, California

The Venture Capital Fund of New
England III, L.P.
Boston, Massachusetts

Zero Stage Capital V & VI, L.P.
Cambridge, Massachusetts

LEGAL ADVISORS

Sheehan, Phinney, Bass & Green, P.A.
Manchester, New Hampshire

Peter Foley, Esquire
Concord, New Hampshire

New Hampshire Department
of Justice
Concord, New Hampshire

INDEPENDENT AUDITORS

KPMG LLP
Boston, Massachusetts

INVESTMENT ADVISOR

Evaluation Associates, Inc.
Norwalk, Connecticut

ACTUARIAL CONSULTANT

Buck Consultants, Inc.
Secaucus, New Jersey

COMMERCIAL REAL ESTATE CONSULTANT

The Townsend Group
Cleveland, Ohio

COMMERCIAL REAL ESTATE MANAGERS

Allegis Realty Investors, LLC
Hartford, Connecticut

Hart Advisers, Inc.
Simsbury, Connecticut

COMMERCIAL REAL ESTATE APPRAISERS

Arthur Andersen, LLP
Chicago, Illinois

CUSTODIANS

The Northern Trust Company
(Master Custodian)
Chicago, Illinois

Fleet Bank-NH
(In-state Custodian)
Concord, New Hampshire

COMMISSION BROKERS

Abel/Noser Corporation
New York, New York

Donaldson & Co., Inc.
Atlanta, Georgia

Lynch, Jones & Ryan, Inc.
New York, New York

PROXY SERVICES

Institutional Shareholder
Services, Inc.
Rockville, Maryland

INSURANCE

National Union Fire Insurance Co.
Manchester, New Hampshire

LETTER OF TRANSMITTAL

NEW HAMPSHIRE RETIREMENT SYSTEM

EDWARD J. THEOBALD
Chairman, Board of Trustees
(603) 427-0911

HARRY M. DESCOTEAU
Executive Secretary

MAURICE L. DANEALT
Deputy Executive Secretary

J. P. SINGH
Director of Finance



The Granite State

BOARD OF TRUSTEES:

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Glenn L. Levesque
Joseph G. Morris
William S. Perron
Dale K. Robinson
Edward J. Theobald
Georgie A. Thomas

November 16, 1999

Dear Mr. Chairman and Members of the Board of Trustees:

We are pleased to submit the Comprehensive Annual Financial Report of the New Hampshire Retirement System (NHRS) for the fiscal year ended June 30, 1999. This comprehensive report is designed to comply with the provisions of the Revised Statutes Annotated (RSA) 100-A:15, VI of the State of New Hampshire. We believe this report presents fairly the combined assessment of the investment results and the financial condition of the Pension Plan and the Postretirement Medical Plan and fully supports its ultimate purpose of providing pension and medical benefits to its members and their beneficiaries.

The NHRS was established in 1967 to consolidate and replace four separate pension plan systems: the New Hampshire Teachers' Retirement System, the New Hampshire State Employees' Retirement System, the New Hampshire Policemen's Retirement System, and the New Hampshire Permanent Firemen's Retirement System. The NHRS provides service retirement, disability and survivor benefits for all full-time state employees, public school teachers and administrators, permanent police officers, and permanent firefighters. Full-time employees of political subdivisions (such as county, municipal or school district employees) are also eligible to participate as a group if the governing body elects participation. In addition, NHRS also administers a postretirement medical plan for certain Group I members (teachers) and Group II members (police officers and firefighters). A complete description of employees eligible for membership in each plan and additional information concerning benefits available are contained in the Summary of Plan Provisions beginning on page 20.

BUDGET CONTROLS AND NHRS ADMINISTRATION

The administrative budget of the NHRS is funded through an administrative assessment rate charged to participating employers, and is proposed by management, approved by the Board of Trustees, submitted under the budget preparation guidelines of the State of New Hampshire, and appropriated by the New Hampshire Legislature.

In accordance with GASB Statement No. 14 guidelines for a reporting entity, the NHRS participated with the State of New Hampshire (State) in reviewing its financial reporting relationship with the primary government and determined that the NHRS is a component unit of the State of New Hampshire.

The NHRS is a qualified governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code and has a separately appointed governing body. Based on financial reporting guidelines, NHRS' Pension Plan is deemed to be a single pension plan. There is a separate benefit plan set up for postretirement healthcare for certain Group I members (teachers) and Group II members (police officers and firefighters). The investments for the two plans are pooled together and are prorated between the two plans based on individual fund balances.

NHRS is administered by a 13 member board of trustees, which includes one State Senator, one State Representative, the State Treasurer as an ex officio member, two employee member representatives, two teacher member representatives, two firefighter member representatives, two police officer member representatives, and two public nonmember representatives. The Board of Trustees formulates administrative policies and procedures and authorizes benefit payments to members and their beneficiaries. It also manages the trust funds. The administrative functions of NHRS are directed by the Executive Secretary and are carried out by the administrative staff.

The Board of Trustees employs a qualified consulting actuary, a trustee/custodian, investment managers, and investment advisors. The Attorney General of the State of New Hampshire general-

ly provides legal services, but the Board of Trustees is statutorily authorized to engage the services of outside legal counsel for special investment, federal, and tax matters.

REPORT STRUCTURE

The Comprehensive Annual Financial Report is presented in five sections. The Introductory Section contains the letter from the Chairman of the Board of Trustees, a letter of transmittal from the Deputy Executive Secretary and the Director of Finance, the identification of the administrative organization, professional consultants, and a summary of plan provisions. The Financial Section contains the independent auditors' report, financial statements and related notes and disclosures, required supplementary information, as well as certain supporting schedules. The Investment Section contains an investment report prepared by the investment consultant, comparative investment results, asset allocations, list of largest stock and fixed income investments held by the NHRS, schedule of fees and commissions, and an overall investment summary. The Actuarial Section contains the independent actuary's certification, an outline of actuarial assumptions and methods and other actuarial statistics. The Statistical Section contains tables of significant data and identification of participating employers.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

The Comprehensive Annual Financial Report has been prepared in conformity with the principles of governmental accounting and reporting pronouncements of the Governmental Accounting Standards Board (GASB). The accrual basis of accounting is used to record the assets, liabilities, revenues, and expenses. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are reported at fair value. Fixed assets are legally the property of the State of New Hampshire and are not included as assets in the System's financial statements because they are not material.

The management of the NHRS is responsible for maintaining a system of internal controls which are designed to provide a reasonable assurance that the assets are adequately safeguarded and the financial records and financial statements are fairly stated. We believe the existing internal accounting controls accomplish these objectives.

Certain amounts for the fiscal year 1998 have been reclassified to conform to the fiscal year 1999 presentation.

REVENUES

The revenues required to fund the pension and postretirement medical plan obligations are accumulated from contributions of the primary government, participating employers and members, and through earnings on investments. The combined revenue sources are summarized as follows:

SCHEDULE OF REVENUES	1999 (in millions)	1998 (in millions)	\$ Increase (Decrease) (in millions)	% Increase (Decrease)
Income from investments	\$149.4	\$127.4	22.0	17.3%
Net security lending income	1.7	1.4	0.3	21.4%
Net appreciation of investments	407.6	443.9	(36.3)	(8.2%)
Contributions	146.1	139.4	6.7	4.8%
Other	4.6	6.9	(2.3)	(33.3%)
TOTAL	\$709.4	\$719.0	(9.6)	(1.3%)

Overall, total revenues for fiscal year 1999 were lower by \$9.6 million from fiscal year 1998 primarily due to the slightly lower investment performance for domestic equity investments, as well as, domestic and global bond investments. However, the investment performance was helped by NHRS' domestic investments in timber and alternative investments. Member and employer contributions increased by \$6.7 million and income from investments increased by \$22.0 million over the prior year. The value of net assets held in trust for pension benefits increased to \$4,277.2 million at June 30, 1999, an increase of approximately \$470.8 million from the previous year. The NHRS investments generated an annualized time weighted market value rate of return of 14.4% on the total fund, and over the past three years and five years, the average annual investment rate of return was approximately 16.8% and 17.6%, respectively. The fiscal year 1999 investment results

reflect a continuing trend of favorable performance of the capital markets and a positive impact of the diversification strategy pursued by the Board.

EXPENSES

The combined pension and postretirement medical plan expenses are summarized below:

SCHEDULE OF EXPENSES	1999 (in millions)	1998 (in millions)	\$ Increase (Decrease) (in millions)	% Increase (Decrease)
Payment to beneficiaries	161.6	144.3	17.3	12.0%
Member withdrawals	17.4	16.9	0.5	3.0%
Investment expenses	52.3	38.2	14.1	36.9%
Administrative expenses	3.4	4.6	(1.2)	(26.1%)
Other	3.9	4.0	(0.1)	(2.5%)
TOTAL	\$238.6	\$208.0	30.6	14.7%

Total expenses and payments for fiscal year 1999 increased \$30.6 million over 1998, primarily due to an increase in benefit payments and a slight increase in the number of retired members, including cost-of-living allowances, a slight increase in member withdrawals, higher investment management costs due to an appreciated investment portfolio asset base. Total revenues of \$709.4 million for fiscal year 1999 exceeded expenses by \$470.8 million.

FUNDING STATUS

The funded ratio is one measure of the financial condition of the NHRS. NHRS has adopted an open group aggregate plan and there is no funded ratio determined by the actuary as part of that funding method. However, for comparison purposes, we have provided information on plan liabilities as measured by the pension benefit obligation and the accumulated benefit obligation. The funded ratio is determined by dividing the net assets held in trust for benefits by the pension benefit obligation. Funds accumulated by the NHRS in order to meet future benefit obligations to retirees and/or their beneficiaries are referred to as "net assets held in trust for benefits." The "pension benefit obligation" is the actuarial present value of credited projected benefits (plan liabilities). It is a measure of the present value of the total pension benefits estimated to be payable in the future to both current retirees and/or their beneficiaries, and current employees for future service. The funded ratio increases as the net assets held in trust for benefits increase in proportion to the benefits that have been earned by, and therefore are payable to, plan participants. A higher funding ratio gives the participants a greater degree of assurance that their pension benefits are secure.

Presented on pages 66 and 67 is the pension benefit obligation as of June 30, 1999. The fair value of net assets held in trust for benefits was \$3.552 billion net of the Administrative Assessment Account, the Undesignated Special Account and the Account for Medical Insurance Subsidy. The pension benefit obligation totaled \$3.229 billion, resulting in a funded ratio of 110.0% and assets in excess of the pension benefit obligation of \$323 million. The funded ratio and assets in excess of pension benefit obligation at June 30, 1998 was 108.3% and \$242 million, respectively. The current funded ratio illustrates the sound financial condition of the NHRS.

INVESTMENTS

RSA 100-A:15 fully empowers the New Hampshire Retirement System Board of Trustees to invest funds under the "Prudent Investor Rule." This rule requires that fiduciaries discharge their duties solely in the interest of NHRS participants and beneficiaries. The Trustees must perform as fiduciaries with care, skill, prudence and diligence, under circumstances then prevailing, that a prudent person acting in like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and like aims. The Prudent Investor Rule has enabled the NHRS to invest in a broad range of asset classes, resulting generally in increased returns while lowering risk through diversification.

The current investment guidelines, as set by the Board of Trustees, provide for an acceptable range of holdings in various asset classes. The guidelines provide target allocation objectives of 51% of assets to be invested in common stock, 9% of which may be invested in non-domestic equities; 29% in fixed income securities, of which 5% may be invested in non-domestic bonds; 10% in alternative investments, including investment in timberfunds; and 10% in commercial real estate invest-

ments net of third party debt. The Board of Trustees has set specific guidelines related to the third party debt. The third party debt is limited to non-recourse financing only and the ratio of debt to net equity for the entire portfolio shall not exceed 1:1. The third party debt is used to further enhance the return on investments and to provide broader diversification to the commercial real estate asset class. The investments are managed by professional investment firms who are fiduciaries to the NHRS and are afforded discretionary investment authority within the investment guidelines established by the Board of Trustees.

NHRS' diversified investment policy, on balance, continued to be highly effective, as is evident from the comparative returns for the fiscal years 1999/1998.

ANNUAL INVESTMENT RETURNS	YEARS ENDED JUNE 30	
	1999	1998
Domestic Equity	20.8%	24.9%
S&P 500	22.7%	30.2%
Domestic Fixed Income	2.2%	11.5%
LB Govt/Corp	2.7%	11.3%
International Equity	5.8%	0.3%
MSCI EAFE	7.6%	6.1%
Global Bonds	3.3%	8.6%
JP Morgan Government Bond Index	3.6%	5.9%
Commercial Real Estate	12.9%	18.3%
NCREIF Property Index	12.6%	17.2%
Timberfunds and Alternative Investments	22.8%	16.4%

NHRS' investment policy is designed to generate the best possible total return on a long-term basis at an acceptable level of risk. The table below presents three and five year investment returns for the domestic equity and fixed income components for the fiscal years ended June 30, 1999 and 1998. Appropriate market index results have been provided for comparative purposes. These asset classes represent over 68.7% of total assets invested.

	YEARS ENDED JUNE 30			
	1999		1998	
	3 YEARS	5 YEARS	3 YEARS	5 YEARS
Domestic Equity	23.4%	24.8%	25.3%	20.0%
S&P 500	29.1%	27.9%	30.2%	23.1%
Domestic Fixed Income	7.7%	8.9%	9.7%	7.5%
LB Govt/Corp	7.2%	7.8%	7.9%	6.9%

ECONOMIC CONDITION AND OUTLOOK

Over the past 12 months, the capital markets have seen continued domination by the U.S. equity market. After a period of declining and then stable interest rates, we have witnessed an increase in interest rates from the end of 1998 through the end of June 1999. For example, the Treasury bill rate has risen 0.3% since year-end and the 30-year Treasury rate has risen by nearly 0.9%. Domestically, the equity markets have widened out with small capital (cap) and medium cap stocks beginning to close the performance gap relative to the largest cap stocks. Part of this is due to improved economic conditions in Southeast Asia that had been weighing on all but the largest market leaders. The Federal Reserve has raised interest rates in an effort to contain inflation and the overall growth outlook for the U.S. remains at 3.0% to 3.5% for the coming 12 months. The concerns for the U.S. economy at this point are centered on maintaining a stable inflation environment and the continued economic recovery of Southeast Asia and the emerging markets.

The relatively strong dollar had been weighing on international investments during the latter half of 1998 and the early parts of 1999. However, the dollar has begun to slip a bit relative to the newly minted Euro dollar and the reinvigorated Japanese yen. This currency shift has helped international equity assets to perform a bit better when measured in U.S. dollar terms. The Japanese banking system shows a trend towards stabilization and that puts the Japanese economy back on a growth path after several years of recession. The strengthening of the Japanese economy has had a spillover effect on the remainder of Southeast Asia which is showing a trend towards entering a

recovery phase. We have witnessed increased economic activity throughout the Pacific Basin. One region, however, that remains very weak is South America.

The European capital market outlook still looks healthy with very strong merger and acquisition activity in both European union member markets as well as the peripheral countries. The creation and adoption of the Euro currency has allowed for greater cross border trading and this has continued to increase economic activity in that part of the world. Overall, inflation and growth in Europe appears to be strong. The outlook for Europe has also been bolstered by the change in corporate management. The European companies are being managed in a model more consistent with U.S. companies in that they are seeking to maximize shareholder value. As this theme has become more prevalent, more investors have been willing to commit investment capital to the European market and this may be a factor that will continue to propel the European capital markets higher.

The NHRS is mindful of the fact that it operates in a dynamic economic environment and it continues to maintain a well diversified investment policy to mitigate negative effects from changes in the global economy. Ultimately, we have a long-term investment horizon and have attempted to construct the investment portfolio to benefit from long-term trends in the capital market, while diversifying the total investment portfolio to moderate risk.

MAJOR INITIATIVES

As a standard practice, the NHRS' policies, procedures and programs are reviewed on a continual basis to meet the challenges of operating in a dynamic business and economic environment. NHRS has formulated major initiatives to establish the strategic vision of becoming one of the finest public pension plans in the country. To that end, we have embarked on major initiatives to achieve this goal:

- **Y2K Readiness:**

The NHRS has been fully aware for several years of the potential technology problems associated with its mainframe pension administration system. We had planned to use this opportunity to upgrade all NHRS' in-house computer systems and to replace the mainframe system with a state-of-the-art year 2000 compliant PC based pension benefit system. The work was started on this project by an outside vendor in 1996. However, due to a lack of adequate progress through May, 1999 in the development work, the NHRS decided to terminate the project, and instead re-deploy staff resources to complete the work on the existing mainframe system to make it year 2000 compliant. The enhanced mainframe system has been fully tested for year 2000 readiness and was put into operation as of July 1, 1999. Also, there is a contingency plan in place to address any unforeseen contingencies.

In addition we are continually monitoring the System's service providers to ensure that their mission critical systems will be year 2000 compliant. Based on our review, it is expected that the NHRS' service providers will have their mission critical systems fully compliant for year 2000 readiness before the advent of year 2000.

- **Group Counseling Initiatives:**

The NHRS has developed and implemented a "Group Counseling" program for Active Members who are within one to two years of their planned retirement. The objective was to educate individuals near their retirement age on the process of retirement. This program is intended to better utilize counseling resources for the NHRS' counseling staff, however, more importantly, to take an initiative in educating members contemplating retirement. The program is expected to have a positive impact on our relationship with NHRS' employers and members. The program includes conducting educational lectures on retirement, question and answer sessions, and allows time for individual counseling for each member attending the group session. The group counseling program can be conducted at the employers' site or at the NHRS administrative office. The members attending this program have the opportunity to learn from each other, as well as, allowing members the opportunity to seek answers to questions more germane to their individual case. Based on the positive feedback NHRS has received for this program, we plan to continue to expand this program and make it available to a greater number of employers.

- **Enhanced Security Measures for the NHRS Administrative Office:**

The Board of Trustees of the NHRS was concerned about the personal safety of the administrative staff. The Board appointed a sub-committee comprised of a select group of Trustees and the administrative staff to work with an outside security advisory firm to review the System's security needs and recommend adequate office security measures which are practical and economically feasible. The System wanted to continue to maintain the level of service to NHRS members without compromising the personal safety of the administrative staff.

The subcommittee carefully studied this issue and recommended several safety related enhancements: Restricted access of visitors to certain designated areas; installation of a bullet

resistant window in the reception area; installation of security cameras and monitors at strategic locations for the safety of employees; and more importantly, the establishment of security procedures and guidelines in the event of a violent action. The System has authorized \$36,000 in funds to incorporate all of these security related enhancements with a scheduled completion date of December 15, 1999.

INDEPENDENT AUDIT

RSA 100-A:15 requires an annual audit to be performed by the Office of Legislative Budget Assistant, Audit Division (LBA) or their designated subcontractor. For the fiscal year 1999 the LBA selected KPMG LLP to perform the audit of the NHRS. The independent auditors' report, the audited financial statements, required supplementary information, and supporting schedules are included in the Financial Section of this report.

ACTUARIAL REVIEW AND VALUATION

An actuarial review of the mortality, service, withdrawals, and compensation experience of members is required by statute at least once during each five-year period. An actuarial valuation of assets and liabilities is required by statute at least once during each two-year period. The actuarial firm of Buck Consultants, Inc. provides for the actuarial experience review and valuation. The most recent valuation has been performed as of June 30, 1999. The actuarial information presented in the 1999 valuation provides a forecast valuation on the employer contributions for fiscal year 2002 and 2003. The actuarial certification and supporting statistics are included in the Actuarial and Statistical Sections of this report.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded Certificates of Achievement for Excellence in Financial Reporting to the NHRS for its Comprehensive Annual Financial Reports for the last eight fiscal years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report which conforms to program standards. Comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements. Each Certificate of Achievement is valid for a period of one year only. We believe this year's report continues to conform to the Certificate of Achievement Program requirements.

A reproduction of the 1998 award appears in this Introductory Section. Its attainment continues to represent a significant accomplishment for the NHRS and our goal is to continue to maintain the high standards of financial reporting and disclosure.

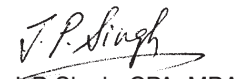
ACKNOWLEDGMENTS

The compilation of this report reflects the combined efforts of the administrative staff under the direction of the Board of Trustees of the NHRS. It is intended to provide extensive and reliable information as a basis for making management decisions, determining compliance with legal provisions, and for determining responsible stewardship for the investment and accounting for assets of plan participants.

We would like to take this opportunity to express our gratitude to the Board of Trustees for its guidance and support, also to the administrative staff for its dedication, commitment, and efficient operation of the NHRS.

Respectfully submitted,


Maurice L. Daneault
Deputy Executive Secretary


J. P. Singh, CPA, MBA
Director of Finance

SUMMARY OF PLAN PROVISIONS

TYPE OF PLAN

The New Hampshire Retirement System (NHRS) is a contributory defined benefit plan qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The public employee pension plan provides retirement, disability, and death protection to its members and their beneficiaries. The NHRS also administers a separate postretirement medical plan which provides a subsidy for postretirement medical premiums for certain pension plan members (teachers, police officers, and firefighters). Unlike a defined contribution plan, a member's ultimate pension benefit is based on a predetermined formula measured by salary credit and service credit, not the amount of contributions made to the plan.

MEMBERSHIP

Membership in the pension plan is a condition of employment for all full-time, classified State employees and for all permanent, full-time firefighters and police officers employed by the State of New Hampshire or any of its political subdivisions. Under specific minimum participation standards, membership is also a condition of employment for public school teachers and other professional staff of public schools, as well as for employees of political subdivisions which have elected to have their employees participate in NHRS. Employees and teachers are classified as Group I. Firefighters and police officers are classified as Group II. While membership in the plan is divided into groups and classes, the pension plan is considered a single plan for financial reporting and federal tax purposes, as all assets of the plan are legally available to fund the benefits of any of the plan members or beneficiaries.

CONTRIBUTIONS

Both employers and active members make regular contributions to the pension plan. All contributions are deposited into the pension trust fund.

Employer contributions are based on a percentage of covered payroll, where the rate is determined by the NHRS' actuarial funding requirements. The State of New Hampshire funds 100% of the employer costs for all State employees and 35% of the employer costs for teachers, firefighters, and police officers employed by political subdivisions. The State of New Hampshire does not fund any of the employer costs for other political subdivision employees. For the fiscal year ended June 30, 1999, the employer contribution rate for providing retirement, disability, and death benefits for the employee classification was 3.86%. The employer contribution rate, including the State of New Hampshire's share, for the teacher classification for providing retirement, disability, and death benefits was 4.05%; for the firefighter classification, 8.30%; and the police officer classification, 5.22%. The employer contribution rate for providing the postretirement medical premiums for certain firefighters and police officers, including the State of New Hampshire's share, is 2.08% and 1.31%, respectively.

Active members contribute to NHRS through automatic payroll deductions. Member contribution rates, which are fixed by statute, are currently 5% of gross taxable earnings for employee and teacher members and 9.3% of gross taxable earnings for firefighter and police officer members. Member contributions plus earned interest, referred to as accumulated contributions, are credited to individual member accounts for each member. The interest rate applied to member accounts for fiscal year ended June 30, 1999, was 9.0%.

TAX SHELTER PLAN

Employers may adopt the tax shelter plan available through NHRS. Under Section 414(h) of the United States Internal Revenue Code, contributions are deducted from an employee's gross reportable wages for federal income tax purposes and are not considered taxable gross income until the funds are distributed through either a lump sum payment or a retirement pension.

CREDITABLE SERVICE

Members earn creditable service for periods during which they are actively contributing to NHRS. Service credit may also be earned for the following:

- (1) **PRIOR SERVICE** — Service rendered under any of the predecessor systems when there has been no break in service; service rendered by an employee of a political subdivision before the employer elected participation of its employees in the NHRS.

- (2) **MILITARY DUTY** — Military service in the Armed Forces of the United States or other emergency wartime service of the United States.
- (3) **TEMPORARY SERVICE** — Service for an employment period of 6 months or more in a temporary, unclassified, or non-classified capacity or in non-permanent full-time employment prior to becoming a member.
- (4) **WITHDRAWN SERVICE** — Service for an employment period of 6 months or more for which a member withdrew his/her accumulated contributions after termination of employment.
- (5) **ENROLLMENT OVERSIGHT** — Service rendered during a period of time when a member should have been enrolled but was not.
- (6) **PREVIOUS OUT-OF-STATE OR FEDERAL GOVERNMENT SERVICE** — Service rendered in another state retirement system or federal government system.
- (7) **WORKERS' COMPENSATION RECIPIENTS** — Creditable service for a period of up to one year granted to members who receive weekly workers' compensation awards under RSA 281-A on or after July 1, 1994.

SERVICE RETIREMENT

Group I contributing members qualify for a service retirement pension at age 60, with no minimum service credit required. From ages 60 to 64, the pension benefit formula multiplies a member's average final compensation of the three highest paid years by the years of creditable service and then by a unit credit rate of 1.67%. At age 65, all Group I members experience a reduction in their retirement pension when the applied unit credit rate changes to 1.51%.

Group II contributing members qualify for a service retirement pension at age 60, with no minimum service credit required, as well as between ages 45 and 60 with a minimum of 20 years of Group II service. The Group II pension benefit formula multiplies a member's average final compensation of the three highest paid years by years of creditable service not to exceed 40 years, and then by a unit credit rate of 2.5%.

For benefit calculation purposes, a member's final 12 months of earnable compensation is limited to 150% of the preceding 12 months' compensation or the higher of any year used in calculating average final compensation. Unused accrued holiday, vacation, sick, or other pay received for service rendered prior to June 30, 1991, paid for at termination of employment, is not subject to the 150% limitation.

EARLY SERVICE RETIREMENT

Group I members with at least 10 years of service are eligible to receive an early reduced retirement pension between ages 50 to 59, and with at least 20 years of service if their years of service when added to their age equal at least 70. Permanent benefit reductions are graduated for each year the member is under age 60 at 1.50% for 35 or more years of service; 3.00% for 30 to 35 years; 4.00% for 25 to 30 years; 5.00% for 20 to 25 years; and, 6.67% for less than 20 years.

VESTING

Group I and Group II members with at least 10 years of service are eligible for a vested deferred retirement pension even if termination of active membership occurs before meeting the eligibility requirements for collecting a retirement pension. Vested deferred retirement pensions are based on creditable service and average final compensation when employment ends.

Group I members receive a full retirement pension at age 60, or as early as age 50 with an appropriate early retirement reduction.

Group II members may receive a retirement pension at that point when 20 years would have been completed but not before age 45.

ORDINARY DISABILITY RETIREMENT

Active members who have 10 or more years of credited service and become permanently disabled as the result of a mental or physical incapacity that prevents them from performing the duties of their job may qualify for an ordinary disability retirement pension.

Group I members age 60 and older receive an amount equal to a service retirement pension, based on creditable service and average final compensation when employment ends, and, under age 60, an amount equal to 90% of a service retirement pension. Group I members are guaranteed a minimum of 25% of average final compensation.

Group II members receive 100% of a service retirement pension based on creditable service and average final compensation when employment ends. Group II members are guaranteed a minimum of 25% of final compensation.

ACCIDENTAL DISABILITY RETIREMENT

Active contributing members who become permanently disabled as the result of a total mental or physical incapacity that prevents them from performing the duties of their job as the result of an on-the-job accident, repeated trauma or gradual degeneration while on the job, or any job-related occupational disease may qualify for an accidental disability retirement pension. Cases of trauma, degeneration, or occupational disease must first be found compensable by the Commissioner of Labor.

Group I members age 60 and older receive an amount equal to a service retirement pension based on creditable service and average final compensation when employment ends, and, under age 60, an amount equal to 50% of average final compensation. Group I members are guaranteed a minimum of 50% of average final compensation.

Group II members receive an amount equal to 66.67% of average final compensation.

ORDINARY DEATH BENEFIT — NON-JOB-RELATED DEATH

An ordinary death benefit is payable to the beneficiary(ies) of an active member who dies. If the member is eligible for retirement at the time of death and the surviving spouse is the only designated beneficiary, the spouse may receive a retirement pension until remarriage or death equal to 50% of the member's service retirement pension based on creditable service and average final compensation at the time of death. If the spouse prefers, he/she may receive a lump sum payment equal to the deceased member's annual earnable compensation and a return of member contributions plus earned interest. If the member is not eligible for service retirement or leaves no surviving spouse, or if the designated beneficiary is someone other than the spouse, a lump sum payment equal to the deceased member's earnable compensation and member contributions plus earned interest is payable to the designated beneficiary(ies).

ACCIDENTAL DEATH BENEFIT — JOB-RELATED DEATH

An accidental death benefit is payable if an active Group I or Group II member dies as the result of an on-the-job accident. An accidental death benefit is also payable if a Group II member dies as the result of job-related repeated trauma, gradual degeneration or any occupational disease. All accidental deaths must first be found compensable by the Commissioner of Labor.

If the member is married at the time of death, an annual pension is payable to the surviving spouse until remarriage or death. For Group I members, the pension is equal to 50% of the member's average final compensation at the time of death; for Group II, 50% of the member's final compensation at the time of death. If there is no surviving spouse, or if the spouse remarries or dies, the pension is payable to any of the deceased member's children under age 18. If there is no surviving spouse and no dependent children, the pension is payable to the deceased member's dependent mother or father.

If the member leaves no survivors who are eligible for the accidental death pension, then a lump sum payment equal to the member's annual earnable compensation is payable to the member's designated beneficiary(ies). In addition to the accidental death benefit, the deceased member's designated beneficiary(ies) receives a refund of the member contributions plus earned interest.

SPLIT BENEFITS — SERVICE IN BOTH GROUP I AND GROUP II

Generally, with creditable service in both Group I and Group II, members are entitled to a split benefit retirement pension, upon eligibility, based on creditable service in each group classification. The average final compensation to be used in calculating the actual benefit is based on the member's entire period of service.

For members who have less than 20 years of combined creditable service, the split benefit is payable at age 60. For members who have 20 or more years of combined service, the benefit is payable before age 60 by the number of whole years of Group II service, but not before age 45. Members with at least 10 years of combined creditable service may elect to receive an early reduced split benefit retirement pension up to 10 years before the appropriate minimum age, but not before age 45.

OPTIONAL ALLOWANCES

Upon disability or service retirement, a member may choose a reduced pension amount under an optional allowance in order to provide a beneficiary with a benefit after the retired member's death. Unless an optional allowance is elected, the only amount payable to a beneficiary after the retired member's death is any balance of member contributions plus earned interest not yet distributed. Optional allowances include the following:

- | | |
|--------------------|--|
| Option 1 | Extends the period of eligibility for a lump sum payment to a beneficiary, equal to any member contributions plus interest not yet distributed as part of the member annuity. |
| Option 2 | 100% of the retiree's reduced retirement pension payable to the survivorship beneficiary. |
| Option 3 | 50% of the retiree's reduced retirement pension payable to the survivorship beneficiary. |
| Option 4(A) | 100% "Pop-Up" Option. Similar to Option 2, except that the retiree's reduced retirement pension "pops up" to the maximum benefit amount if the survivorship beneficiary predeceases the retiree. |
| Option 4(B) | 50% "Pop-Up" Option. Similar to Option 3, except that the retiree's reduced retirement pension "pops up" to the maximum benefit amount if the survivorship beneficiary predeceases the retiree. |
| Option 4(C) | Some other benefit of the member's choice, approved by the NHRS Board of Trustees, payable to the beneficiary. |

A retiring member may designate any number of his children as multiple beneficiaries under one of the survivorship options, where payments would be made to multiple children beneficiaries in equal shares after the retired member's death. Multiple beneficiaries under a survivorship option must be the member's natural children, adopted children, or stepchildren.

MAXIMUM BENEFIT LIMITATIONS

Any benefit payable to a survivorship beneficiary is subject to the limitations set forth in RSA 100-A:13-b. A beneficiary or multiple children beneficiaries cannot receive more than 100% of the retired member's pension. A non-spouse beneficiary who is more than 10 years younger than the retired member is limited to a survivorship pension of 52% to 96% of the retired member's pension. The exact percentage will vary according to the age of the beneficiary.

AUTOMATIC SURVIVING SPOUSAL ALLOWANCE — GROUP II ONLY

Upon the death of a Group II member who retired under service or disability retirement on or after April 1, 1987, the surviving spouse is entitled to a pension, as long as the member was married to that spouse on the effective date of retirement. The pension is equal to 50% of the retired member's pension and is payable until the surviving spouse's remarriage or death. This pension is separate from a survivorship option.

LUMP SUM DEATH BENEFIT — GROUP II ONLY

If a Group II member had been a member of Group II as of June 30, 1988, and retired on or after July 1, 1988, the designated beneficiary is entitled to a lump-sum payment of \$10,000 after the retired member's death. If a Group II member became a member on or after July 1, 1988, but before July 1, 1993, then the lump-sum payment payable to the designated beneficiary is \$3,600. No lump-sum payment is payable to beneficiaries of retired members who joined Group II after July 1, 1993.

HEALTH INSURANCE AFTER RETIREMENT

Political subdivision employers are required to make available to their retired employees the same level of health care coverage that they provide to their active employees. The responsibility for paying for that health insurance coverage may rest with either the employer or the retired employee.

The State of New Hampshire provides paid health insurance to its retired State employees and their spouses, if they meet the eligibility requirements. State paid health insurance is based on RSA 21-I:30 and is dependent on legislatively appropriated funding.

POSTRETIREMENT MEDICAL PLAN

The following Group II members are eligible for the postretirement medical premium subsidy described in RSA 100-A:52:

- Active Group II police officer members as of June 30, 1995.
- Retired Group II police officer members (or beneficiaries) as of June 30, 1995.
- Active Group II firefighter members as of June 30, 1995.
- Retired Group II firefighter members (or beneficiaries) as of June 30, 1995.
- Persons who prior to July 1, 1988 had completed at least 20 years of Group II service and are eligible as of July 1, 1993 for a vested deferred retirement benefit.
- Group I members retired as of July 1, 1991 with a split benefit under RSA 100-A:19-c who has at least 10 years of Group II service.

The System subsidy covers the retired member's spouse and any of the retired member's certifiably dependent and disabled children.

Effective January 1, 2000, the following Group I members will be eligible for coverage under the postretirement medical plan:

- Teacher members (or beneficiaries including disabled children) who retire on or before July 1, 2004 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service.
- Surviving spouse and children of a teacher member who dies as the natural and proximate result of injuries suffered while in the performance of duty. Payment of the subsidy ceases when (i) the dependent child attains age 18 or age 23, if attending school on a full-time basis or (ii) the spouse remarries.
- Vested terminated teacher member who completed at least 20 years of creditable service and prior to July 1, 2004 receives an allowance and who subsequently attains age 60.
- Teacher member who retires after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2004.

COST-OF-LIVING ADJUSTMENTS (COLAs)

On February 1 of each year, the Fiscal Committee of the New Hampshire Legislature is empowered to approve COLAs, subject to availability of funding from the Special Account. When COLAs are granted by the Legislature, they become a permanent part of retirement pensions.

WITHDRAWAL OF CONTRIBUTIONS

Members who terminate employment are entitled to withdraw their member contributions plus earned interest. All earned rights to a retirement pension are thereby forfeited.

**INDEPENDENT AUDITORS'
REPORT**

99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Independent Auditors' Report

To the Fiscal Committee of the General Court:

We have audited the accompanying financial statements of the New Hampshire Retirement System, a component unit of the State of New Hampshire, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the New Hampshire Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the New Hampshire Retirement System as of June 30, 1998, were audited by other auditors whose report thereon dated November 16, 1998, expressed a qualified opinion on those statements because insufficient audit evidence existed to support the New Hampshire Retirement System's disclosures with respect to the Year 2000 issue.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the New Hampshire Retirement System at June 30, 1999, and the changes therein for the year then ended in conformity with generally accepted accounting principles.

The historical pension and Year 2000 information on pages 41 and 42, respectively, are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the historical pension information certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the historical pension information. We were unable to apply certain of these limited procedures to the Year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the New Hampshire Retirement System is or will become Year 2000 compliant, that the New Hampshire Retirement System's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the New Hampshire Retirement System does business are or will become Year 2000 compliant.

The supporting schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the New Hampshire Retirement System. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information included in the Introductory, Investment, Actuarial, and Statistical Sections have not been audited by us, and accordingly, we do not express an opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 1999 on our consideration of the New Hampshire Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts.

KPMG LLP

November 16, 1999

FINANCIAL STATEMENTS

STATEMENTS OF PLAN NET ASSETS

(in thousands)

	JUNE 30			
	PENSION PLAN 1999	POST RETIREMENT MEDICAL PLAN 1999	TOTAL 1999	TOTAL 1998
ASSETS:				
Cash	\$ 44	\$ 2	\$ 46	\$ 1,965
Cash Collateral on Security Lending (NOTE 3)	435,120	19,883	455,003	450,454
Total Cash	435,164	19,885	455,049	452,419
Receivables:				
Due from Employers	3,894	136	4,030	4,065
Due from State	7,353	113	7,466	7,595
Due from Plan Members	6,458	—	6,458	6,114
Due from Postretirement Medical Plan	249	—	249	240
Interest and Dividends	13,792	630	14,422	13,123
Other	4,430	202	4,632	3,805
Total Receivables	36,176	1,081	37,257	34,942
Investments At Fair Value (NOTES 2 and 3):				
Equity Investments:				
Domestic	2,154,790	98,463	2,253,253	1,998,383
International	366,481	16,746	383,227	360,380
Fixed Income Investments:				
Domestic	772,917	35,318	808,235	740,820
Global	157,079	7,178	164,257	160,289
Commercial Real Estate	490,093	22,395	512,488	348,164
Timberfunds	111,589	5,099	116,688	109,961
Alternative Investments	207,188	9,467	216,655	135,842
Temporary Investments	2,741	125	2,866	33,157
Residential Mortgages	—	—	—	1
Total Investments	4,262,878	194,791	4,457,669	3,886,997
Other Assets	1,806	83	1,889	1,148
TOTAL ASSETS	4,736,024	215,840	4,951,864	4,375,506
LIABILITIES:				
Securities Lending Collateral (NOTE 3)	435,120	19,883	455,003	450,454
Contributions Due to Pension Plan	—	249	249	240
Management Fees and Other Payables	16,036	733	16,769	8,932
Funds Held in Escrow	1,062	49	1,111	724
Mortgage Notes Payable	192,708	8,805	201,513	108,704
TOTAL LIABILITIES	644,926	29,719	674,645	569,054
NET ASSETS HELD IN TRUST FOR BENEFITS (NOTES 2, 4 and 6)	\$4,091,098	\$ 186,121	\$4,277,219	\$3,806,452

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

(in thousands)

	YEAR ENDED JUNE 30			
	PENSION PLAN 1999	POST RETIREMENT MEDICAL PLAN 1999	TOTAL 1999	TOTAL 1998
ADDITIONS:				
Contributions (NOTE 6):				
Employer	\$ 46,810	\$ 2,271	\$ 49,081	\$ 47,353
State Contributions on Behalf of Local Employers	11,373	888	12,261	11,624
Total Employer Contributions	58,183	3,159	61,342	58,977
Plan Member	81,566	—	81,566	77,395
Postretirement Medical Plan Contributions on Behalf of Employers	3,159	—	3,159	3,043
Total Contributions	142,908	3,159	146,067	139,415
Investment Income				
From Investment Activities:				
Net Appreciation in Fair Value of Investments	389,626	17,997	407,623	443,871
Interest	55,645	2,570	58,215	54,953
Dividends	31,601	1,460	33,061	32,614
Timberfund Loss	(587)	(27)	(614)	(1,818)
Alternative Investment Income	2,079	96	2,175	2,151
Commercial Real Estate Operating Income	54,105	2,499	56,604	39,479
Total Income from Investment Activities	532,469	24,595	557,064	571,250
Less: Investment Expenses:				
Investment Management Fees	20,447	944	21,391	18,691
Commercial Real Estate Operating Expense	28,060	1,296	29,356	17,990
Custodial Fees	890	41	931	961
Investment Advisor Fees	555	26	581	603
Total Investment Activity Expenses	49,952	2,307	52,259	38,245
Total Net Income from Investment Activities	482,517	22,288	504,805	533,005
From Securities Lending Activities (NOTE 3):				
Security Lending Income	23,604	1,090	24,694	24,747
Less: Security Lending Borrower Rebates	21,309	984	22,293	22,776
Less: Security Lending Management Fees	688	32	720	591
Net Income from Securities Lending Activities	1,607	74	1,681	1,380
Total Net Investment Income	484,124	22,362	506,486	534,385
Administrative Assessment (NOTES 2 and 8)	4,159	192	4,351	5,748
Other	216	10	226	1,144
TOTAL ADDITIONS	631,407	25,723	657,130	680,692
DEDUCTIONS:				
Benefits	156,436	5,147	161,583	144,300
Refunds of Contributions	17,411	—	17,411	16,939
Administrative Expense (NOTES 2 and 8)	3,218	149	3,367	4,642
Postretirement Medical Plan Contributions to Pension Plan on Behalf of Employers	—	3,159	3,159	3,043
Professional Fees	600	27	627	639
Other	206	10	216	91
TOTAL DEDUCTIONS	177,871	8,492	186,363	169,654
Net Asset Transfers (NOTE 5)	(36,100)	36,100	—	—
NET INCREASE (NOTES 2 and 4)	\$ 417,436	\$53,331	\$ 470,767	\$ 511,038
NET ASSETS HELD IN TRUST FOR BENEFITS				
Beginning of the Year (NOTE 2)	\$3,673,662	\$132,790	\$3,806,452	\$3,295,414
End of the Year	\$4,091,098	\$186,121	\$4,277,219	\$3,806,452

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 — PLAN DESCRIPTION

The New Hampshire Retirement System (System) consists of a cost-sharing, multiple-employer contributory pension plan (Pension Plan) and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code and a post-retirement medical plan (Medical Plan). The pension plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

As required by RSA 100-A:41-a, the System provides for the possible payment of a cost of living adjustment (COLA). Each July 1, any retired member (or beneficiary of such a member) who has received benefit payments for at least 12 months could be entitled to receive a COLA of from 1% to 5%. Each February 1, the fiscal committee of the general court may approve such COLAs based on the funds available in the Special Account. The Special Account was established under RSA 100-A:16, II(h) to provide for additional benefits. A full description of the Special Account can be found under Note 6.

The administrative office of the System, which functions as a "self sustaining" governmental entity, operates under a budget which is proposed by management, approved by the Board of Trustees, submitted under guidelines of the executive branch of the State of New Hampshire, and passed into law by the New Hampshire Legislature.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, guidelines for a reporting entity, the System participated with the State of New Hampshire (State) in reviewing its financial reporting relationship with the State as the primary government and determined that the System is a component unit of the State. This determination was made on the basis of fiscal dependence on the State solely for budget oversight over administrative expenses.

The type and number of employers contributing to the System during the years ended June 30, 1999 and 1998 are presented below.

EMPLOYERS CONTRIBUTING	1999	1998
State Government	1	1
City Governments	13	13
Town Governments and Related Entities	194	190
County Governments	10	10
School Districts	222	221
Total Employers	440	435

As of June 30, 1999 and 1998 membership data related to the pension plan was as follows:

MEMBERSHIP DATA	1999	1998#
Retirees and beneficiaries currently receiving benefits	14,367	14,324
Terminated employees entitled to benefits but not yet receiving them	604	477
Active and inactive plan participants:		
Vested	20,347	18,519
Nonvested	26,325	25,375
Total Membership	61,643##	58,695###

Information estimated as there was no full actuarial valuation prepared as of June 30, 1998.

Includes 3,180 inactives.

Includes 4,037 inactives.

The New Hampshire Retirement System is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each membership group are summarized on the next page.

Group I Members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest three years. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. AFC is defined as the average of the three highest salary years, and for benefit calculation purposes only, the final year's salary cannot exceed by more than 150% the higher of the previous year's salary or the salary for the highest year used in the calculation of AFC (not including the final year's salary). At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service. Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of creditable service, whose age plus service is equal to or greater than 70, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II Members who are age 60, or members who are at least age 45 with at least 20 years of creditable service can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Members of the System are required to contribute a percentage of gross earnings to the System as more fully described in Note 6. The percentage rates, established by state statute, are dependent upon member group classification. The deductions are made from member wages and are remitted by the employer to the System on a monthly basis. If a member leaves employment prior to retirement or vesting, accumulated member contributions plus earned interest are refunded to the withdrawing member or to the designated beneficiary in the case of death. However, accumulated contributions plus interest of a non-vested, non-contributing member may remain in the System earning interest for up to six years.

Employers make monthly contributions to the pension plan based on rates determined by periodic actuarial valuations as more fully described in Note 6.

Pursuant to RSA 100-A:50 and RSA 100-A:53-a, the New Hampshire Retirement System also provides a postretirement medical plan to certain Group I and Group II members. The maximum monthly subsidy effective as of July 1, 1999 for eligible members (and beneficiaries) not eligible for Medicare is \$202.90. For those eligible for Medicare, the maximum monthly subsidy is \$127.93. The monthly maximum premium is increased each July 1 by 8%.

Effective January 1, 2000, the following Group I members are eligible for coverage under the postretirement medical plan:

- Teacher members (or beneficiaries including disabled children) who retire on or before July 1, 2004 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service.
- Surviving spouse and children of a teacher member who dies as the natural and proximate result of injuries suffered while in the performance of duty. Payment of the subsidy ceases when (i) the dependent child attains age 18 or 23, if attending school on a full-time basis or (ii) the spouse remarries.
- Vested terminated teacher member who completed at least 20 years of creditable service and prior to July 1, 2004 receives an allowance and who subsequently attains age 60.
- Teacher member who retires after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2004.

The following Group II members are eligible for coverage under the postretirement medical plan:

- Active or retired police members (or beneficiaries) as of June 30, 1995.
- Active or retired firefighter members (or beneficiaries) as of June 30, 1995.
- Persons who, prior to July 1, 1988, had completed at least 20 years of Group II service and are eligible as of July 1, 1993 for a vested deferred retirement benefit.
- Group I member retired as of July 1, 1991 with a split benefit under RSA 100-A:19-c who has at least 10 years of Group II service.

The System subsidy generally covers the retired member's spouse and any of the retired member's certifiably dependent children with a disability. At June 30, 1999, 5,922 Group II members are eligible for the postretirement medical plan and 2,156 Group I members are eligible effective January 1, 2000 for the postretirement medical plan.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

The New Hampshire Retirement System consists of a Pension Plan with a separate Postretirement Medical Plan for certain Group I and Group II retirees. The assets of the two plans are pooled together for investment purposes. Investment income, and investment expenses are prorated between the two plans based on the net assets. The financial statements of these plans are prepared on the accrual basis of accounting. Certain amounts for fiscal year 1998 have been reclassified to conform to the fiscal year 1999 presentation, including reclassifying the administrative assessment balance from a liability to a component of net assets held in trust for benefits. This reclassification resulted in an increase in net assets available for benefits at June 30, 1998 of \$1.030 million as follows: net assets held in trust for benefits as of July 1, 1997 decreased by \$0.075 million and the net increase for the year ended June 30, 1998 improved by \$1.105 million. Contributions are recognized as revenue in the period in which members receive payment for services provided to the employer. Investment income is recognized as it is earned. Benefits and refunds are recognized when these become due. The net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the financial statements. Commission and related transaction costs for investments are netted out against the fair market value of investments.

INVESTMENTS

Investments in both domestic and international securities are valued at current market prices and international securities are expressed in U.S. dollars. Global fixed income investments include investments in international and U.S. bonds. International equity represents investment in non-U.S. stocks only. The System uses trade date basis for accounting of these investments. Investments in commercial real estate are valued at appraised value wherever external appraisals were ordered, otherwise fair value estimates were developed internally by the commercial real estate investment managers. The System has adopted a cyclical approach for external appraisals. Properties are selected for external appraisals based on the advice of the System's Consultant. Investment manager fair value estimates are used during the interim years. Timberfund and alternative investments are valued at fair value by the portfolio managers. Temporary Investments are valued at cost which reflects approximate fair value. Temporary Investments represent investments in the pooled short term investment funds managed by the System's custodian. These funds invest mainly in high-grade money market instruments with maturity averaging less than three months. These funds provide daily liquidity and allow the Board to reinvest these funds to other asset classes.

The System does not hold securities of a single organization (other than the U.S. Government) which exceed 5% of the System's plan net assets held in trust for benefits. However, at June 30, 1999 and 1998, the System had \$66.3 million and \$95.5 million, representing 1.6% and 2.5%, respectively, of plan net assets invested for liquidity purposes in short-term investment funds managed by the System's custodian.

The System holds no investments, either directly or indirectly, nor participates in any loans or leases, or other party-in-interest transactions with any System officials, New Hampshire State Government officials, or parties related to these officials. The administrative office of the System is housed in a facility owned for investment purposes by the System. The administrative office pays the System market rates for the leased space. The total base rent paid to the System in 1999 was \$105.9 thousand.

ADMINISTRATIVE EXPENSES

Expenses related to the administration of the System are budgeted and approved by the System's Board of Trustees, and are subject to appropriation annually by the State Legislature. Administrative expenses are included in the System's financial statements.

FIXED ASSETS

Generally, furniture, fixtures and equipment are purchased using funds from the Administrative Assessment account and are recorded as administrative expenses. These fixed assets are legally the property of the State of New Hampshire and are not included as assets in the System's financial statements because they are not material.

NOTE 3 — INVESTMENTS AND DEPOSITS

RSA 100-A:15, I, authorizes the members of the Board of Trustees to manage, invest and reinvest all of the assets and proceeds, and related income, and all contributions and payments made to the System using the judgment and care under the circumstances then prevailing, which persons of prudence, dis-

cretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the System.

To aid in the prudent investment of the System's assets, the Board of Trustees established a formal investment policy document. This policy may be modified by Board action as the Board deems necessary. Contained in the policy are guidelines and objectives for various investment types. Investment types include domestic equity and fixed income securities (including mortgage backed securities and structured notes), cash equivalents, commercial real estate, international equity and global fixed income securities, alternative investments including venture capital investments, private placements and timberfunds.

DERIVATIVES

The System's investment policy allows investment managers to invest in mortgage backed securities and also allows managers to use options, futures and currency forward contracts in international equity and domestic and global fixed income portfolios for the purposes of currency risk management of non-U.S. investments. The System's investment policy has pre-established thresholds to limit the risk exposure on these investments.

As of June 30, 1999 and June 30, 1998, the System had \$131.2 million (2.9%) and \$53.0 million (1.4%) of total investments, respectively, invested in non-leveraged mortgage backed securities. The investments in mortgage backed securities are reported at current market value and are allowed by the System's investment guidelines to diversify risk and to closely match the weighting of the mortgage backed position of System funds with the Lehman Brothers Aggregate Index for fixed income securities. Investments in mortgage backed securities were also permitted because of the excess return they offer over other fixed income securities.

Based upon the advice of the System's investment consultants and investment constraints within RSA 100-A:15 and the System's Investment Policy and Guidelines, the investments in mortgage backed securities and currency forward contracts do not, in the System's judgment, have any legal risk.

With respect to credit risk, the mortgage backed securities are issues of U.S. Government Agencies. All issues are rated AAA or above by both Standard & Poors and Moody's. The currency forward contracts are executed through large money center banks with credit rating standards. The credit risk exposure could be with the bank counterparty. Depending on the bank, the degree of credit risk could vary. However, based on the assessment of the System's investment managers and investment consultants, the risk is minimal.

The market risk of mortgage backed securities is dependent on two variables: the type of security and its sensitivity towards a change in interest rate. The degree of change in market value is also predicated on the design of these securities. Based on ratings specifically designed for mortgage backed securities, the System's holdings as of June 30, 1999 and June 30, 1998 have market risk ratings within the range of "low" to "moderate to high."

As of June 30, 1999 and June 30, 1998 the System did not have any investments in options and futures and had \$0.5 million net exposure in currency forwards in 1999 and no net currency forward exposure in 1998.

Forward contracts allow investors to minimize currency risk by "locking in" an exchange rate. The risk of forward contracts can be characterized as an opportunity risk. At the termination of the contract the difference between the exchange rate agreed upon in the forward contract and the prevailing rate will result in a gain or loss.

SECURITIES LENDING

The System has a Securities Lending agreement with its master custodian. In accordance with this agreement the System participates in a domestic and international equity securities lending program administered by the custodian. In management's opinion, the custodian is in full compliance with the contractual provisions of this agreement. The System receives a fee based on the market value of the loaned securities. During the duration of the loan, the System receives dividends and coupon payments equivalent to amounts that would be received had the securities not been loaned.

Collateral for loaned securities may include U.S. and non-U.S. currencies, Organization for Economic Cooperation and Development (OECD) government securities, equities or irrevocable letters of credit. U.S. securities are loaned in consideration of collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105% of the market value of the securities plus any accrued interest, except that fixed income securities can be loaned against same currency collateral at 102% plus any accrued interest. The actual collateral value was equal to 101.6% for U.S. securities and 106.5% for non-U.S. securities at June 30, 1999 and 102.6% for U.S.

securities and 105.9% for non-U.S. securities at June 30, 1998. Collateral is marked-to-market daily. If the market value of the collateral falls below the minimum collateral requirements, additional collateral is provided by the participating borrower subject to established minimum thresholds. The System's custodian matches the maturity of the collateral investment fund with the maturity of the loaned securities for the entire pool of loaned securities on behalf of its participants in the Security Lending Program.

The System is indemnified by the custodian in the event a borrower does not return loaned securities due to the insolvency of the borrower and the custodian has failed to live up to its contractual responsibilities. The custodian's responsibilities, as a lending agent, include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

The market value of securities on loan, the collateral held, and the security lending income as of June 30, 1999 and June 30, 1998 are presented below.

SECURITY LENDING ACTIVITIES	(\$ in millions)	
	1999	1998
Market Value of U.S. and Non-U.S. Securities on Loan	\$504.3	\$530.8
Collateral Held Against U.S. and Non-U.S. Securities	\$518.0	\$548.0
Ratio of Collateral held to Loan Securities	102.7%	103.2%
Net Income From Security Lending Program	\$1.681	\$1.380

The System did not incur any losses on loaned securities during the fiscal years ended June 30, 1999 and June 30, 1998. Credit risk on loaned securities is managed by restricting loans to parties on the custodian's approved list and by following established outstanding credit limits for each borrower, as set by the custodian. For the years ended June 30, 1999 and June 30, 1998 the System did not have any credit risk exposure to the borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the System.

Loaned securities are included in the Statement of Plan Net Assets since the System maintains ownership. For loans collateralized by cash, the value of the collateral is recorded as a liability offsetting the cash collateral recorded as an asset. The cash collateral for U.S. and non-U.S. securities as of June 30, 1999 and June 30, 1998 were \$455.0 million and \$450.5 million, respectively. For loans having collateral other than cash, the related collateral securities are not recorded as assets in the Statement of Plan Net Assets, and a corresponding liability is not recorded, since the System cannot pledge or sell the collateral securities, except in the event of a borrower's default. The System does not use reverse repurchase agreements.

DEPOSITS AND INVESTMENTS

The following is a summary of the deposit and investment portfolio as of June 30, 1999 and 1998. Investing by the discretionary investment managers is regulated by the investment policy and guidelines developed by the Board of Trustees and by provisions of RSA 100-A:15 of the State of New Hampshire.

- (a) At June 30, 1999, the carrying amount of the System's deposits was \$0.05 million and the bank balance was \$6.0 million. At June 30, 1998, the carrying amount of the System deposits was \$2.0 million and the bank balance was \$8.7 million. The deposits are held in one financial institution. Of the bank balances at June 30, 1999 and 1998, \$100,000 was covered by federal depository insurance. The remaining bank balance amounts at June 30, 1999 and 1998 were uninsured and uncollateralized.
- (b) The table on the next page provides information about the credit and market risk associated with the System's investments. The table is segmented by the following risk categories:
 - Category 1 includes investments in securities that are insured, or registered, or for which the securities or investments are held by the System, or its agents in the System's name.
 - Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank) or agent(s), in the System's name.
 - Category 3 includes uninsured and unregistered investments in securities held by the counterparty in the System's name or the counterparty's trust department (if a bank) or agent(s), but not in the System's name.
 - Other non-categorized investments are those that do not meet the criteria set forth in categories 1, 2 and 3.

INVESTMENTS BY RISK CATEGORY

(in thousands)

	FAIR VALUE AT JUNE 30	
	1999	1998
CATEGORY 1		
Common Stock	\$2,530,470	\$2,242,250
Preferred Stock	20,905	18,507
Convertible Preferred Stock	39,184	26,221
Corporate Bonds	265,329	263,045
Convertible Corporate Bonds	40,382	43,123
U.S. Government and Agency Bonds	505,284	432,017
Asset Backed Bonds	48,775	64,260
Collateralized Mortgage Bond Obligations	22,936	—
Commercial Paper	54,894	44,187
TOTAL CATEGORY 1	3,528,159	3,133,610
CATEGORY 2		
No Investments	—	—
CATEGORY 3		
Cash	1,078	—
Foreign Currency Held as Call Deposits	21,344	30,120
TOTAL CATEGORY 3	22,422	30,120
OTHER NON-CATEGORIZED		
Security Lending Short Term Collateral Investment Pool	455,003	450,454
Commercial Real Estate	512,488	348,164
Timberfunds	116,688	109,961
Alternative Investments	216,655	135,842
Residential Mortgages	—	1
Emerging Markets Pooled Funds	21,454	26,929
High Yield Bond Pooled Funds	—	19,252
International Bond Pooled Funds	9,614	28,799
Pooled Short Term Investment Funds*	66,323	95,484
Foreign Exchange Purchases and Sales	367	971
Pending Trade Purchases and Sales	(36,501)	(42,136)
TOTAL OTHER NON-CATEGORIZED	1,362,091	1,173,721
TOTAL INVESTMENTS	\$4,912,672	\$4,337,451

* The pooled short term investment funds are managed by the System's custodian, The Northern Trust Company. These funds invest mainly in high-grade money market instruments with maturities averaging less than three months. These funds provide participants with daily liquidity.

NOTE 4—FUNDING PROGRESS

The System determines the annual required contribution using the open group aggregate funding method. This method does not identify or separately amortize unfunded actuarial liabilities. In accordance with GASB 25 guidelines, therefore, a schedule of funding progress is not presented as part of these financial statements.

NOTE 5—SIGNIFICANT CHANGES IN ACTUARIAL ASSUMPTIONS AND PENSION BENEFIT PROVISIONS OCCURRING SINCE THE JUNE 30, 1997 ACTUARIAL VALUATION

Changes in actuarial assumptions for fiscal year 1999:

The postretirement mortality assumption for Firefighters was revised to more closely reflect the actual experience of the System. This change will increase the normal contribution rate by .41% for Firefighters.

Changes in actuarial assumptions for fiscal year 1998:

Actuarial valuations are performed biennially. There have been no changes in actuarial assumptions since the last actuarial valuation was performed as of June 30, 1997.

Legislation was enacted in the 1999 legislative session which:

- a) Requires members who receive Workers Compensation lump sum settlements for disability injuries to submit sufficient evidence to the Board of Trustees that the disability is a work-related injury.
- b) If participating employer does not provide benefit for service prior to participation in the System, the member may purchase prior service credit within 5 years of an employer's participation in the System.
- c) A vested terminated member may receive an allowance upon attaining age 50. In lieu of a monthly allowance, a member may complete an application to receive a refund of his or her contributions.
- d) Allows members to elect a spouse and/or children as beneficiaries to receive a joint and survivor option.
- e) Provides a monthly spouse's benefit if the member dies after completing 10 years of service. If the member has not completed 10 years of service or is not survived by a spouse a lump sum death benefit of the deceased member's salary is payable.
- f) Provides 401(h) postretirement medical premium effective January 1, 2000 for the following Group I teacher members.
 - Teacher members (or beneficiaries including disabled children) who retire on or before July 1, 2004 at age 60 with at least 20 years of creditable service or at age 55 through 59 with at least 30 years of creditable service.
 - Surviving spouse and children of a Teacher member who dies as the natural and proximate result of injuries suffered while in the performance of duty. Payment of the subsidy ceases when (i) the dependent child attains age 18 or 23, if attending school on a full-time basis or (ii) if the spouse remarries.
 - Vested terminated Teacher member who completed at least 20 years of creditable service and prior to July 1, 2004 receives an allowance and who subsequently attains age 60.
 - Teacher member who retires after completing at least 20 years of creditable service and who subsequently attains age 60 before July 1, 2004.

As a result, \$89.1 million of net assets and the related earnings will be transferred in fiscal year 2000 from the Pension Plan to the Medical Plan.

- g) Extends the Group II 401(h) insurance subsidy to active or retired police officers who became members on and after July 1, 1993 and before July 1, 1995. As a result, \$15.0 million of net assets will be transferred in fiscal year 2000 from the Pension Plan to the Medical Plan.

In addition, the fiscal committee, in accordance with RSA 100-A;41-a, II, approved the following cost-of-living adjustments (COLAs):

- h) Provides a 4% COLA for Employees, Teachers, Police Officers, and Firefighters who retired prior to July 1, 1998, effective July 1, 1999.

Items (f), (g), and (h) will have no effect on the normal rate because, as required by the legislation, the costs are terminally funded from the Special Account. Items (a), (b), (c), (d), and (e) will have no significant effect on the normal rate.

Legislation was enacted in the 1998 legislative session which:

- a) Effective in 1999, extends the Group II 401(h) insurance subsidy to active or retired members as of June 30, 1993 in the case of police officers and June 30, 1995 in the case of firefighters and to Group II persons on duty-related disability, who became members after June 30, 1988 but before July 1, 1993 in the case of police officers and before July 1, 1995 for firefighters. As

a result, for the year ended June 30, 1999, \$36.1 million of net assets were transferred from the Pension Plan to the Medical Plan.

- b) Effective in 1999, extends COLA eligibility to members retired at least 12 months on their last retirement anniversary date.
- c) Allows the remaining member in the old teachers retirement system to purchase full benefits under RSA 100-A.
- d) Permits additional contributions by or on behalf of Group I members to offset the benefit reduction for early retirement. Alternatively, these additional contributions accumulated with interest may be withdrawn as a lump sum.
- e) Extends the Prudent Investor Rule and is subject to review at least every five years from July 1, 1998.

In addition, the fiscal committee, in accordance with RSA 100-A:41-a, II, approved the following cost-of-living adjustments (COLAs):

- f) Provides a 4% COLA for Employees, Teachers, Police Officers, and Firefighters who retired prior to July 1, 1996, effective July 1, 1998.

Items (a), (b), and (f) will have no effect on the normal rate because, as required by the legislation, the costs are terminally funded from the Special Account (see Note 6). Item (c) will not have an impact on the normal rate, because the cost is borne by the member. Item (d) will not increase the normal rate because the cost is borne by the member or terminally funded by the employer. Item (e) will have no effect on the normal rate.

NOTE 6—CONTRIBUTIONS AND RESERVES

As a condition of participation, members are required to contribute a set percentage of their salary to the System. The percentage rates, as outlined below, are set by statute under RSA 100-A:16 and depend on the member's group affiliation.

RSA 100-A:16 outlines the employer contributions made to the New Hampshire Retirement System. Employer contributions to the System since fiscal year 1992 have been determined on an actuarial basis using the open group aggregate cost method. (The results from the open group aggregate cost method cannot be less than the normal rate determined to produce a funding ratio of 130% over a 20-year horizon and an 8% interest rate.) Prior to fiscal year 1992, employer contributions were based on the frozen initial liability-entry age normal actuarial cost method. The normal cost under this method was funded on a current basis. An unfunded accrued liability was determined as of June 30, 1968 for each member classification. The amount of accrued liability contribution was then computed as the level dollar amount required to discharge this initial unfunded liability over a 20-year period from June 30, 1968. Both the unfunded liability and the accrued liability contribution have been adjusted from time to time since 1968, either to reflect changes in the actuarial assumptions, or as a result of special legislation authorizing additional transfers of members from one of the predecessor systems or between groups in the new system or providing certain improvements in the benefit provisions. It should be noted that the accrued liability contributions have been retained under the open group aggregate method out of equity among the various sponsors.

Pursuant to RSA 100-A:53, postretirement medical premium subsidies are provided to certain Group I teacher members (effective January 1, 2000) and certain Group II police officer and firefighter members by a medical plan subtrust. Under Section 401(h) of the Internal Revenue Code qualified retirement plan trusts may pay for postretirement medical premiums. These payments are funded through contributions of the employer which may not exceed 25% of the normal cost for the respective membership classification. As provided by RSA 100-A:53, I, 25% of certain Group I and Group II employer contributions are paid into the Medical Plan Subtrust. Subsequently, a transfer is made from the Medical Special Account to the pension plan equal to the contributions made to the Medical Plan Subtrust.

The State funds 100% of the employer normal costs for all State employees, and 35% of the employer normal costs for teachers, police officers, and firefighters employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees. The State funds its portion of the unfunded accrued liability as an additional normal cost and as a level dollar amount. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The annual covered payrolls for the years ended June 30, 1999 and 1998 were \$1,393.6 million and \$1,294.7 million, respectively.

The table on the next page shows the percentages of gross payroll contributed by the State, other contributing employers, and members. The employer share for fiscal years 1999 and 1998 excludes administrative expense loading of 0.30% and 0.422%, respectively.

PERCENT OF COVERED PAYROLL FOR RETIREMENT BENEFITS

Member Category	Member Normal Share	(FY 1999)			Member Normal Share	(FY 1998)		
		State*	Employer Normal Share Local**	Total		State*	Employer Normal Share Local**	Total
Employees								
State	5.00%	3.86%	—	3.86%	5.00%	3.86%	—	3.86%
Local	5.00%	—	3.86%	3.86%	5.00%	—	3.86%	3.86%
Teachers	5.00%	1.42%	2.63%	4.05%	5.00%	1.42%	2.63%	4.05%
Police Officers	9.30%	1.83%	3.39%	5.22%	9.30%	1.83%	3.39%	5.22%
Firefighters	9.30%	2.90%	5.40%	8.30%	9.30%	2.90%	5.40%	8.30%

* Excludes .01%, .01%, .22%, and .14% for Employees, Teachers, Police Officers, and Firefighters, respectively which is the State's additional normal cost percentage to fund a portion of the unfunded accrued liability. The State's portion of the total unfunded accrued liability as of June 30, 1999 that is funded as a percent of covered payroll is \$1,345,188, \$631,415, \$2,665,992, and \$581,240 for Employees, Teachers, Police Officers, and Firefighters, respectively.

** Excludes percentage for unfunded accrued liability contribution.

The following tables show the amounts contributed by participating employers and members and these contributions expressed as a percentage of the respective covered payrolls.

AMOUNTS CONTRIBUTED

(in thousands)

Member Category	Member Normal Share	(FY 1999)			Member Normal Share	(FY 1998)		
		Employer Normal Share*	Employer Accrued Liability*	Total Contributions		Employer Normal Share*	Employer Accrued Liability*	Total Contributions
Employees	\$30,678	\$22,957	\$176	\$53,811	\$29,233	\$22,151	\$ 133	\$ 51,517
Teachers	31,794	24,787	185	56,766	30,032	23,589	185	53,806
Police Officers	13,340	7,436	549	21,325	12,716	7,014	889	20,619
Firefighters	5,754	5,031	221	11,006	5,414	4,793	223	10,430
Total Contributed	\$81,566	\$60,211	\$1,131	\$142,908	\$77,395	\$57,547	\$1,430	\$136,372

* Includes contributions made both by State and local employers and payments made on behalf of the employers.

AMOUNTS CONTRIBUTED EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL

Member Category	Member Normal Share	(FY 1999)			Member Normal Share	(FY 1998)		
		Employer Normal Share	Employer Accrued Liability	Total		Employer Normal Share	Employer Accrued Liability	Total
Employees	5.22%	3.90%	.03%	9.15%	5.35%	4.05%	.02%	9.42%
Teachers	5.22%	4.07%	.03%	9.32%	5.33%	4.19%	.03%	9.55%
Police Officers	9.67%	5.39%	.40%	15.46%	9.89%	5.46%	.69%	16.04%
Firefighters	9.91%	8.66%	.38%	18.95%	9.61%	8.51%	.40%	18.52%
Total Contributed	5.85%	4.32%	.08%	10.25%	5.98%	4.44%	.11%	10.53%

The following table shows the percentages of gross payroll contributed by the State, other contributing employers, and members to provide postretirement medical premiums for certain Group II members.

PERCENT OF COVERED PAYROLL FOR POSTRETIREMENT MEDICAL PREMIUMS

Member Category	Member Normal Share	(FY 1999)			Member Normal Share	(FY 1998)		
		State	Employer Normal Share Local	Total		State	Employer Normal Share Local	Total
Police Officers	—	0.46%	0.85%	1.31%	—	0.46%	0.85%	1.31%
Firefighters	—	0.73%	1.35%	2.08%	—	0.73%	1.35%	2.08%

For the purpose of determining the actuarial value of assets to be used in computing employer pension contribution rates, the actuary uses a five-year moving average of fair values based on unit values. The initial value is then compared with book value and fair value of assets and the middle value is used to compute contribution rates.

The computation of the forecasted employer pension contribution rates effective for fiscal year 1999 was performed as part of the June 30, 1995 actuarial valuation of the System and was based on the open group aggregate method and a 9% interest assumption. As required by RSA 100-A:16 II(d), the results of the open group aggregate method cannot be less than the normal rates required to maintain a funded ratio of 130% over a 20 year horizon and an 8% interest rate. It is the practice of the System to use as actual contribution rates the forecast rates from the previous valuation. By using the forecast rates, the System delays implementation of the rates proposed by the actuary until the beginning of the subsequent biennium allowing employers to budget for changes in employer rates. The employer normal contribution rates for the 1999 and 1998 fiscal years were based on the June 30, 1995 actuarial valuation as required by the Board of Trustees.

The forecasted employer normal contribution rates effective for fiscal years 2000 and 2001 and 2002 and 2003 are based upon the June 30, 1997 and 1999 actuarial valuations, respectively. The table below reconciles the forecasted employer normal contribution rates performed as part of the 1997 and 1999 valuations.

**Reconciliation of the Actuarial Projected Employer Normal Contribution Rates
as of June 30, 1999 (Exclusive of Administrative Expense Loading)**

	Employees	Teachers	Police Officers	Firefighters
Forecasted Employer Normal Rates as Determined by 6/30/97 Valuation	3.94%	4.11%	7.13%	8.30%
Decremental Experience	.15	.12	.34	.21
Pensioners' Experience	.01	—	.05	.05
Excess Salary Increases	(.05)	(.15)	—	.05
Assets Different than Expected	—	(.12)	.05	.62
Current New Entrants	(.04)	(.07)	(.01)	(.03)
Assumption Changes*	.18	.09	.50	.91
Balancing Items	(.05)	(.01)	.14	.06
Forecasted Employer Normal Rates as Determined by 6/30/99 Valuation	4.14%	3.97%	8.20%	10.17%

This reconciliation is based on the open group aggregate method and a 9% interest rate.

* Includes severance pay impact and new entrant population assumption changes.

The following table provides a breakdown of net assets held in trust for benefits:

NET ASSETS HELD IN TRUST FOR BENEFITS		(in thousands)
	JUNE 30	
	1999	1998
Employees	\$1,100,451	\$ 982,255
Teachers	1,468,773	1,301,649
Police Officers	671,770	603,742
Firefighters	311,068	279,407
Postretirement Medical Plan	186,121 *	132,790 *
Special Account	537,022	505,579
Administrative Assessment	2,014	1,030
TOTAL NET ASSETS HELD IN TRUST FOR BENEFITS	\$4,277,219	\$3,806,452

* The actuarial information presented on page 66 and 67 reflects net asset transfers resulting from new legislation on the date the legislation is signed into law. For financial reporting purposes, the System reflects the net asset transfers on the date the legislation becomes effective.

SPECIAL ACCOUNT

RSA 100-A:16,II (h) established a Special Account for additional benefits. Prior to July 1, 1996, the Special Account was credited annually with all of the earnings on an actuarial basis of the Special Account assets plus a portion of the earnings of the remaining assets of the System in excess of the assumed rate of return. For the fiscal years ended June 30, 1993 through June 30, 1999, the annual rate of return has been set at 9% by the Board of Trustees. Legislation effective July 1, 1996 required that only returns in excess of the assumed rate plus 1/2 of 1% be credited to the Special Account. For the year ended June 30, 1992, the assumed rate of return was set at 9.75%; however, special legislation adopted for Fiscal 1992 required that only returns in excess of 10% be credited to the Special Account (or Special Reserve). For the years ended June 30, 1991 and prior, the assumed rate of return was set at 8%.

Prior to June 30, 1990, all investment earnings in excess of the actuarial assumed interest rate were credited to the Special Account due to each membership classification. Legislation enacted effective June 30, 1990 only allowed one-half the amount of excess investment earnings to be distributed to any membership classification with a funding ratio of less than 125%. The remaining one-half was credited to a special reserve until the funding ratio attained 125%. Amounts credited to the Special Reserve were to be transferred to the Special Account when the funding ratio equals 140%.

Legislation enacted during 1996 required one-half of the assets of the Special Reserve as of June 30, 1996 to be transferred to the Special Account. At June 30, 1997, one half of the remaining assets in the Special Reserve were transferred to the Special Account. At June 30, 1998, the remaining assets in the Special Reserve were transferred to the Special Account.

As of June 30, 1999, the balance of the Special Account was \$537.0 million. The comparable figure for June 30, 1998 was \$505.6 million. The assets held in the Special Account are not used in the actuarial determination of the normal contribution rate and by statute may only be used to fund or partially fund additional benefits for members of the System.

RSA 100-A:53 established the Medical Special Account to provide postretirement medical premiums for certain Group I and Group II members effective January 1, 2000 and July 1, 1988, respectively. The Medical Special Account reimburses the Pension Trust equal to the funds allocated to the Medical Plan Subtrust. The reimbursements are to continue until the benefits provided through the Medical Plan Subtrust are fully funded or until the Medical Special Account has no assets.

The Medical Special Account balance was \$124.8 million and \$79.9 million as of June 30, 1999 and June 30, 1998, respectively.

NOTE 7—CONTINGENCIES

In the opinion of management and legal counsel, there are no contingent matters that would have a material adverse effect on the System's financial status.

NOTE 8—ADMINISTRATIVE ASSESSMENT

Administrative Assessments were collected from participating employers at a rate of 0.300 and 0.422 percent of reported gross wages for the years ended June 30, 1999 and June 30, 1998. These funds are used for the administrative operations of the System, consisting of salaries for 48 full-time employees and other administrative expenses. Payments are made periodically to the State Treasurer to offset State expenditures for System administrative functions. The assessment rate is reviewed by the Board of Trustees every two years to ensure that projected revenues will match estimated expenses. The administrative assessment rate is officially established by the State's operating budget. A schedule of the administrative assessment account is shown on the next page.

Reconciliation of Administrative Assessment Account:

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
Balance at Beginning of Year	\$ 1,030	\$ (76)
Administrative Assessments	4,351	5,748
Expenses	3,367	4,642
Balance at End of Year	\$ 2,014	\$ 1,030

NOTE 9—LEASE COMMITMENTS

The System leases its administrative facility under a twenty-year lease agreement. The lease contract, effective February 1, 1993, stipulates a base annual lease expense of \$96.6 thousand with a rate increase of 4% at two year intervals. The System pays the taxes, utilities and maintenance of the facility. All lease expenses and other costs of operating the administrative facility are paid from the Administrative Assessment Account. The facility is part of the System's commercial real estate portfolio and is forecasted to generate an internal rate of return over a ten year period of 10.94%.

Under the terms of this lease, the System is required to make rental payments over the life of the lease, exclusive of taxes, utilities and maintenance, as shown below:

SCHEDULE OF FUTURE LEASE PAYMENTS

(in thousands)

2000	\$ 108.7
2001	110.1
2002	113.0
2003	114.5
2004	117.5
Later Years	1,116.4

TOTAL LEASE PAYMENTS**\$1,680.2**

The System paid \$105.9 thousand and \$104.5 thousand for lease expenses attributable to office rent for the fiscal years ended June 30, 1999 and June 30, 1998, respectively.

NOTE 10—COMPENSATED ABSENCES

Every continuing full-time employee of the System is entitled to annual and sick leave with full pay on the basis of the employee's scheduled work week and years of service in accordance with State of New Hampshire personnel rules and regulations. Annual and sick leave is computed at the end of each completed month of service. Employees rendering seasonal or temporary service in excess of six months are entitled to annual and sick leave comparable to full-time employees.

Annual and sick leave is cumulative for not more than the prescribed amounts and will not lapse within the prescribed ceilings. The maximum annual accrual ranges from 12 to 24 days for annual leave and 15 days for sick leave. The maximum cumulative accrual ranges from 30 to 48 days for annual leave and from 90 to 120 days for sick leave. At the end of each fiscal year, additional annual leave (Bonus Days) is computed based on the amount of sick leave taken during the year. The maximum annual accrual for bonus is four days.

Unused annual and sick leave and bonus days are a liability of the Administrative Assessment Fund and are recorded as an accrued liability in the financial statements of the System. Payment for compensated absences is considered an administrative expense and is provided for with funds from the Administrative Assessment account.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES—PENSION PLAN

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
1999	Employees	\$23,084	100.00%
	Teachers	24,957	100.00%
	Police Officers	7,984	100.00%
	Firefighters	5,251	100.00%
1998	Employees	22,174	100.00%
	Teachers	23,769	100.00%
	Police Officers	7,899	100.00%
	Firefighters	5,016	100.00%
1997	Employees	17,270	100.00%
	Teachers	18,844	100.00%
	Police Officers	5,700	100.00%
	Firefighters	4,250	100.00%
1996	Employees	16,921	100.00%
	Teachers	18,247	100.00%
	Police Officers	5,479	100.00%
	Firefighters	4,149	100.00%
1995	Employees	14,120	100.00%
	Teachers	14,348	100.00%
	Police Officers	6,188	100.00%
	Firefighters	5,224	100.00%
1994	Employees	12,765	100.00%
	Teachers	10,926	100.00%
	Police Officers	5,252	100.00%
	Firefighters	4,504	100.00%

* Includes unfunded accrued liability contributions, excludes oversight contributions.

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS POSTRETIREMENT MEDICAL PLAN

Fiscal Year	Classification	Annual Required Contribution (ARC)* (in thousands)	Percent of ARC Recognized as Contributions
1999	Police Officers	\$1,884	100.00%
	Firefighters	1,275	100.00%
1998	Police Officers	1,797	100.00%
	Firefighters	1,246	100.00%
1997	Police Officers	1,223	100.00%
	Firefighters	1,050	100.00%
1996	Police Officers	1,112	100.00%
	Firefighters	984	100.00%

NOTE: Fiscal years 1999, 1998, 1997, and 1996 are the only data available at this time. Data for future years will be reported prospectively.

NOTES TO TREND DATA

The Schedules of Employer Contributions shown above were based on the following information:

Valuation Date:	June 30, 1995.
Schedules of Employer Contributions—FY 1999	Open group aggregate with target funding as a minimum.
Actuarial Cost Method:	Level percent of pay and level dollar amount.
Amortization Method for Unfunded Accrued Liability:*	Varies by employer and classification.
Remaining Amortization Period for Unfunded Accrued Liability:*	5 year moving average.
Asset Valuation Method:	
Actuarial Assumptions:	
Investment Rate of Return	9% (Includes inflation at 4%).
Projected Salary Increases	Graded scale equates to an annual average of 6% (Includes inflation at 4%).
Cost of Living Adjustments	None.
Increase in Medical Premiums	8%.

* Accrued liability contributions have been retained under the open group aggregate method out of equity to the various plan sponsors.

YEAR 2000 READINESS

The System has been fully aware for several years of potential technology problems associated with the year 2000. We have successfully implemented solutions to all of our year 2000 issues as of July 1, 1999.

The year 2000 issues arise because most computer software programs allocate two digits to the "year" data field on the assumption that the first two digits of the year will be "19." The use of this programming assumption could cause problems when the calendar rolls from December 31, 1999 to January 1, 2000. The year 2000 issue impacts both computer hardware (i.e., the embedded logic of computer chips) and computer software. If not addressed, problems could arise in entering data into computer applications, extracting data from these applications, and the results obtained from calculations performed using these applications and data could be incorrect.

In the normal course of our business, the System relies heavily on the use of computer systems. Those systems consist of internal systems used to manage and administer the pension-related activities of active and retired members. We also are extensively dependent on the external computer systems of service providers such as investment managers, custodians, and actuaries who provide services to the System. In assessing the System's year 2000 issues and developing a year 2000 remediation plan, we decided to take a two-pronged approach directed at resolving all year 2000 issues affecting our own internal systems and the mission critical external systems of our service providers.

The System has replaced virtually all computer hardware used by our staff with new computer hardware which is year 2000 compliant. This new hardware has been fully installed, has been tested for year 2000 compliance, and is fully operational. The System's current pension benefit mainframe system has been upgraded for year 2000 readiness and was fully tested and was put into operation as of July 1, 1999. We also have a documented contingency plan for any unforeseen contingencies related to the advent of year 2000.

The System has conducted a survey of its service providers and requested them to provide us with information on their year 2000 readiness status and the current completion stage of their efforts. Based on our review, the System expects that all the service providers will have their mission critical systems ready for year 2000 by December 31, 1999. We plan to continue to monitor the year 2000 compliance efforts of our service providers and will take appropriate actions to ensure that all mission critical systems of the System's service providers are year 2000 ready.

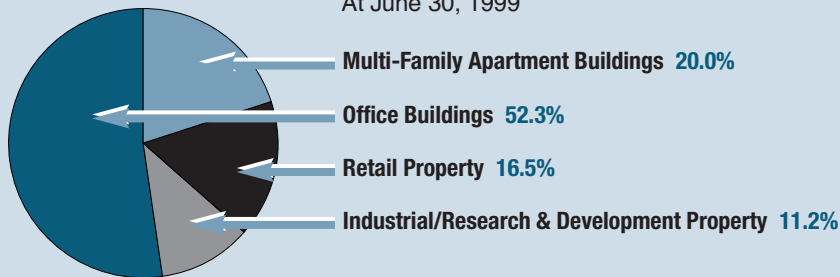
SUPPORTING SCHEDULES

COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE

(in thousands)

	JUNE 30	
	1999	1998
Office Buildings	\$267,408	\$196,442
Multi-Family Apartment Buildings	102,416	26,921
Retail Property	84,260	66,510
Industrial/Research & Development Property	57,053	57,599
TOTAL PROPERTY VALUE BY TYPE	511,137	347,472
Utility Deposits and Escrows	1,351	692
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY TYPE	\$512,488	\$348,164

Property Type Diversification
At June 30, 1999

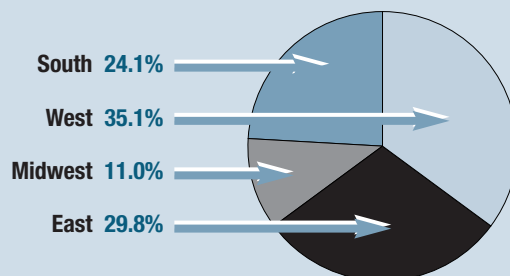


COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION

(in thousands)

	JUNE 30	
	1999	1998
West	\$179,747	\$128,460
East	152,143	114,009
South	123,090	95,232
Midwest	56,157	9,771
TOTAL PROPERTY VALUE BY LOCATION	511,137	347,472
Utility Deposits and Escrows	1,351	692
TOTAL COMMERCIAL REAL ESTATE INVESTMENTS BY LOCATION	\$512,488	\$348,164

Property Location Diversification
At June 30, 1999



TIMBERFUNDS AND ALTERNATIVE INVESTMENTS

	JUNE 30	
	1999	1998
TIMBERFUND INVESTMENTS	(in thousands)	
Domestic Timberfunds:		
Mutual Life Insurance Co. of New York B Fund	\$ 24,700	\$ 21,914
Mutual Life Insurance Co. of New York C Fund	—	145
UBS Brinson—RII Timberland 3, LLC	26,071	25,533
International Timberfunds:		
UBS Brinson—RII Chile, Ltd.	21,091	21,553
UBS Brinson—RII New Zealand Properties I, Inc.	26,070	27,941
UBS Brinson—RII New Zealand Properties II, Inc.	9,029	9,808
UBS Brinson—RII World Timberfund, L.L.C.	9,727	3,067
TOTAL TIMBERFUND INVESTMENTS	\$116,688	\$109,961
ALTERNATIVE INVESTMENTS	(in thousands)	
Vintage 1986–1990:		
Southern California Ventures II, L.P.	\$ 228	\$ 301
North Atlantic Venture Fund, L.P.	357	986
Euclid Partners III, L.P.	4,575	2,093
Energy Investors Fund I, L.P.	3,319	3,308
Sprout Capital VI, L.P.	3,435	3,439
Coral Partners II, L.P.	6,098	7,103
Lawrence, Tyrell, Ortale & Smith II, L.P.	1,030	2,575
Vintage 1991–1995:		
Venture Capital Fund of New England III, L.P.	2,727	3,246
New England Growth Fund I, L.P.	6,230	7,186
Castle Harlan Partners II, L.P.	2,795	2,584
Schroder German Buy-Outs 1992, L.P.	2,234	2,331
Energy Investors Fund II, L.P.	6,833	7,132
Coral Partners IV, L.P.	5,535	7,371
Richland Ventures, L.P.	14,651	4,005
Zero Stage Capital Fund V, L.P.	10,798	3,799
Euclid Partners IV, L.P.	6,614	3,651
APA Excelsior IV, L.P.	22,906	17,410
Sprout Capital VII, L.P.	21,196	13,735
Allegra Capital Partners III, L.P.	5,343	3,623
Vintage 1996–2000:		
North Atlantic Ventures II, L.P.	3,798	2,367
New England Growth Fund II, L.P.	10,831	7,592
TCW/Crescent Mezzanine Partners, L.P.	7,737	6,766
Richland Ventures II, L.P.	11,306	4,714
HEV III US, L.P.	9,357	4,385
Castle Harlan Partners III, L.P.	4,175	2,165
Brand Equity Ventures I, L.P.	6,943	2,344
Prism Venture Partners I, L.P.	11,110	7,982
Coral Partners V, L.P.	1,866	953
Sprout Capital VIII, L.P.	4,209	696
APA Excelsior V, L.P.	4,450	—
Zero Stage Capital Fund VI, L.P.	6,881	—
RFE Investment Partners VI, L.P.	1,090	—
Prism Venture Partners II, L.P.	5,998	—
TOTAL ALTERNATIVE INVESTMENTS	\$216,655	\$135,842

CONTRIBUTIONS		(in thousands)	
		YEAR ENDED JUNE 30	
		1999	1998
CONTRIBUTIONS—PENSION PLAN			
EMPLOYER CONTRIBUTIONS:			
Employees	\$ 23,133	\$ 22,284	
Teachers	16,264	15,506	
Police Officers	4,696	4,790	
Firefighters	2,717	2,569	
TOTAL EMPLOYER CONTRIBUTIONS	46,810	45,149	
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:			
Employees	—	—	
Teachers	8,708	8,268	
Police Officers	1,405	1,316	
Firefighters	1,260	1,201	
TOTAL STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS	11,373	10,785	
PLAN MEMBER CONTRIBUTIONS:			
Employees	30,678	29,233	
Teachers	31,794	30,032	
Police Officers	13,340	12,716	
Firefighters	5,754	5,414	
TOTAL PLAN MEMBER CONTRIBUTIONS	81,566	77,395	
POSTRETIREMENT MEDICAL PLAN CONTRIBUTIONS ON BEHALF OF EMPLOYERS:			
Employees	—	—	
Teachers	—	—	
Police Officers	1,884	1,797	
Firefighters	1,275	1,246	
TOTAL POSTRETIREMENT MEDICAL PLAN CONTRIBUTIONS ON BEHALF OF EMPLOYERS	3,159	3,043	
TOTAL CONTRIBUTIONS—PENSION PLAN	\$142,908	\$136,372	
CONTRIBUTIONS—POSTRETIREMENT MEDICAL PLAN			
EMPLOYER NORMAL:			
Police Officers	\$ 1,416	\$ 1,358	
Firefighters	855	846	
STATE CONTRIBUTIONS ON BEHALF OF LOCAL EMPLOYERS:			
Police Officers	468	439	
Firefighters	420	400	
TOTAL CONTRIBUTIONS—POSTRETIREMENT MEDICAL PLAN	\$ 3,159	\$ 3,043	
TOTAL CONTRIBUTIONS	\$146,067	\$139,415	

**NET APPRECIATION/(DEPRECIATION)
IN FAIR VALUE OF INVESTMENTS**

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
Equity Investments:		
Domestic	\$365,910	\$374,336
International	15,874	(7,729)
Fixed Income Investments:		
Domestic	(30,223)	32,549
Global	(5,146)	2,897
Commercial Real Estate	996	6,127
Timberfunds:		
Domestic	4,047	5,268
International	(2,227)	(404)
Alternative Investments:		
Vintage 1986–1990	5,874	8,511
Vintage 1991–1995	37,547	17,406
Vintage 1996–2000	14,710	3,018
Temporary Investments	261	1,892
NET APPRECIATION/(DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	\$407,623	\$443,871

INTEREST INCOME

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
Fixed Income Investments:		
Domestic	\$48,235	\$45,468
Global	8,745	8,295
Temporary Investments	858	980
Cash	345	208
Other	32	2
TOTAL INTEREST INCOME	\$58,215	\$54,953

DIVIDEND INCOME

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
Equity Investments:		
Domestic	\$26,118	\$24,729
International	6,943	7,885
TOTAL DIVIDEND INCOME	\$33,061	\$32,614

TIMBERFUND AND ALTERNATIVE INVESTMENT INCOME (LOSS)

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
Timberfunds:		
Domestic	(\$457)	(\$1,687)
International	(157)	(131)
TOTAL TIMBERFUND (LOSS)	(\$614)	(\$1,818)
Alternative Investments:		
Vintage 1986–1990	\$ 584	\$ 684
Vintage 1991–1995	944	726
Vintage 1996–2000	647	741
TOTAL ALTERNATIVE INVESTMENT INCOME	\$ 2,175	\$2,151

**COMMERCIAL REAL ESTATE INVESTMENTS
OPERATING INCOME AND EXPENSES**

(in thousands)

	OPERATING INCOME		OPERATING EXPENSES		NET OPERATING INCOME	
	YEAR ENDED JUNE 30		YEAR ENDED JUNE 30		YEAR ENDED JUNE 30	
	1999	1998	1999	1998	1999	1998
Office Buildings	\$34,005	\$27,295	\$18,359	\$13,688	\$15,646	\$13,607
Multi-Family Apartment Buildings	6,945	708	3,295	212	3,650	496
Retail Property	8,662	5,466	4,583	2,738	4,079	2,728
Industrial/Research & Development Property	6,992	6,010	3,119	1,352	3,873	4,658
TOTAL	\$56,604	\$39,479	\$29,356	\$17,990	\$27,248	\$21,489

**INVESTMENT ACTIVITY FEES AND
OTHER INVESTMENT RELATED EXPENSES**

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
INVESTMENT ACTIVITY FEES:		
Equity Investments:		
Domestic	\$ 8,081	\$ 7,527
International	1,656	1,687
Fixed Income Investments:		
Domestic	1,840	1,757
Global	647	558
Timberfunds:		
Domestic	264	486
International	290	268
Alternative Investments:		
Vintage 1986–1990	414	635
Vintage 1991–1995	1,894	1,749
Vintage 1996–2000	3,114	1,972
Commercial Real Estate	3,191	2,052
Commercial Real Estate Operating Expenses	29,356	17,990
Custodial Fees	931	961
Investment Advisor Fees	581	603
TOTAL INVESTMENT ACTIVITY FEES	52,259	38,245
OTHER INVESTMENT RELATED EXPENSES:		
Security Lending Borrower Rebates	22,293	22,776
Security Lending Management Fees	720	591
Other Investment Related Expenses and Rebates, Net	(580)	(337)
TOTAL INVESTMENT ACTIVITY FEES AND OTHER INVESTMENT RELATED EXPENSES	\$74,692	\$61,275

BENEFITS

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
PENSION BENEFITS AND ADDITIONAL ALLOWANCES:		
Employees	\$ 58,577	\$ 52,930
Teachers	55,374	49,488
Police Officers	27,929	24,488
Firefighters	14,556	12,820
TOTAL PENSION BENEFITS AND ADDITIONAL ALLOWANCES	156,436	139,726
POSTRETIREMENT HEALTH INSURANCE PREMIUM SUBSIDY:		
Police Officers	3,339	2,909
Firefighters	1,808	1,665
TOTAL POSTRETIREMENT HEALTH INSURANCE PREMIUM SUBSIDY	5,147	4,574
TOTAL BENEFITS	\$161,583	\$144,300

REFUNDS OF CONTRIBUTIONS

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
Employees	\$ 9,503	\$ 8,462
Teachers	4,964	5,297
Police Officers	2,451	2,863
Firefighters	493	317
TOTAL REFUNDS OF CONTRIBUTIONS	\$ 17,411	\$16,939

ADMINISTRATIVE EXPENSES

(in thousands)

	1999 EXPENSE	1999 BUDGET*	OVER (UNDER) BUDGET	1998 EXPENSE	1998 BUDGET*	OVER (UNDER) BUDGET
Salaries and Wages	\$1,428	\$1,408	\$ 20	\$1,284	\$1,380	(\$96)
Fringe Benefits	851	456	395	407	450	(43)
Supplies, Utilities and Postage	387	393	(6)	351	403	(52)
Equipment	23	33	(10)	33	39	(6)
Travel	38	51	(13)	32	50	(18)
State Services	40	54	(14)	54	54	—
Office Rents and Expenses	184	185	(1)	177	176	1
Computer Support and System Development	257	1,179	(922)	2,076	2,288	(212)
General Ledger Development	7	20	(13)	66	71	(5)
Consulting	147	232	(85)	162	232	(70)
Unemployment Compensation	1	—	1	—	—	—
Workers Compensation	4	4	—	—	1	(1)
TOTAL	\$3,367	\$4,015	(\$648)	\$4,642	\$5,144	(\$502)

* The New Hampshire biennial budget is composed of the initial operating budget and supplemented by additional appropriations. These appropriations are generated by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances. The budget therefore is a flexible budget. It is a biennial budget which consists of balances brought forward plus current year appropriations, less balances carried forward into the following fiscal year. The balances carried forward into the following fiscal year are comprised of encumbrances and non-lapsing appropriations.

PROFESSIONAL FEES

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
Actuarial Fees	\$336	\$379
Audit Fees	210	141
Legal Fees	81	119
TOTAL PROFESSIONAL FEES	\$627	\$639

MEMBERSHIP COMPOSITION

	JUNE 30	
	1999	1998#
ACTIVE CONTRIBUTING MEMBERS:		
Employees	22,519	20,529
Teachers	16,034	14,872
Police Officers	3,600	3,174
Firefighters	1,339	1,282
TOTAL ACTIVE CONTRIBUTING MEMBERS	43,492	39,857
RETIRED MEMBERS:		
Employees	7,928	7,981
Teachers	4,289	4,293
Police Officers	1,369	1,290
Firefighters	781	760
TOTAL RETIRED MEMBERS	14,367**	14,324**

Estimated.

** Excludes vested deferred members.

PAYMENTS FROM THE STATE GENERAL FUND

(in thousands)

	YEAR ENDED JUNE 30	
	1999	1998
State Share of Accrued Liability Contributions*	\$ 1,104	\$ 1,286
State Share of Normal Contributions for Local Employers	12,339	11,199
State Payments for Health Insurance Premiums for Retired State Members	14,744	11,000
TOTAL STATE GENERAL FUND PAYMENTS EXCLUSIVE OF NORMAL CONTRIBUTIONS FOR STATE MEMBERS	\$28,187	\$23,485

* At June 30, 1999 and 1998, the System had accrued \$5.2 million and \$5.3 million, respectively, in accounts receivable due from the State of New Hampshire.

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INVESTMENT CONSULTANT'S REPORT



Evaluation Associates

200 Connecticut Avenue, Suite 700, Norwalk, Connecticut 06854-1958 (203) 855-2200
FAX: (203) 855-2301

November 16, 1999

The New Hampshire Retirement System
Board of Trustees
4 Chenell Drive
Concord, NH 03301-8509

Ladies and Gentlemen:

The New Hampshire Retirement System (System) manages a pool of assets for both the Pension Plan and the Group II Postretirement Medical Plan. As of June 30, 1999, the total net assets for the two plans were valued at approximately \$4,277.2 million. This represents a growth of \$470.8 million over the previous fiscal year. The increase in net assets represents growth in the form of realized and unrealized gains on investments, investment income and contributions reduced by deductions for benefit payments, refund of contributions, and investment expenses.

For the fiscal year ended June 30, 1999, there was \$407.6 million net appreciation reported in the fair value of investments. The appreciation in investments, combined with investment income represented a 14.4% time-weighted return for the total fund for the fiscal year ended June 30, 1999.

The data presented in this report regarding investment results, asset allocations, brokerage commissions, investment management expenses and other investment related activity is based on data reported by the master custodian and the investment managers. Based on the due diligence procedures applied by us, we conclude that the data presented is accurate and reliable and meets the presentation standards of the Association of Investment Management and Research (AIMR).

The Board of Trustees (Board) pursues an investment strategy designed to meet the long term funding requirements for the System with an ultimate goal of maintaining a well-funded pension plan. To achieve this goal, the Board has designed its investment strategy to generate consistent high returns over the years with an appropriately low level of volatility.

The Board has managed the System's investments based on the "Prudent Investor Rule" as adopted by the New Hampshire Legislature. This rule ensures that the Board, as fiduciary, will "exercise judgment and care which persons of prudence, discretion and intelligence, acting in like capacity, would use in the conduct of a pension plan of like character and with like aims." The emphasis here is on diversification of investments to minimize risk.

To that end, the System has established a comprehensive statement of investment policy and guidelines complete with target asset allocations, policy ranges and a re-balancing strategy. This document serves as a procedural manual for the Board and investment managers to follow in pursuing the investment goals of the System. These guidelines serve as a means of communicating to the investment managers the Board's attitude towards risk and return as it relates to the management of the System's assets. In addition, an asset allocation study is authorized by the Board and conducted every five years; input is sought from our firm and the System actuary before any changes are made. Such a study determines the mix of investments, by asset class,

which has the highest probability of producing the real (inflation adjusted) return required to meet future funding requirements at the lowest level of risk. The last study was performed in 1996.

Our role, as investment consultants to the Board, is to guide the Board in establishing clear and concise investment guidelines, investment programs and to help the Board in the search for qualified investment managers to execute investment strategies and programs. In addition, we conduct investment performance analyses on a regular basis and perform reviews of managers' compliance with the investment guidelines. The periodic performance reports presented to the Board meet the AIMR standards and are designed to help the Board make informed investment decisions.

The System allows its managers to defensively hedge positions for non-dollar investments using currency forward contracts. It is our opinion that the hedging transactions entered into by the investment managers during this fiscal year were consistent with the System's guidelines and prudent investment management strategy. With respect to derivative securities, approximately 1.4% of the total fund assets were invested in mortgage-backed securities. Investments in mortgage-backed securities in the fixed income portfolios are permitted by the Board, because a large portion of securities in this sector of the fixed income market is traded in derivative form. Consistent with the Board's view, we are comfortable with this minimal level of exposure to derivative securities as these positions add to the overall diversification of the fixed income portfolio.

In an effort to manage overall trading costs for the System's investments, the Board has in place trading agreements with domestic equity managers to direct predetermined trades through identified discount brokerage firms. The trades are directed on a best execution basis and this results in commission recapture on trades discounted to approximately 2.5 to 3.0 cents per share. The Board is mindful that specialist handling of difficult trades, especially for smaller to middle capitalization companies, may be required for best execution. For this reason, the Board refrains from directing 100% of the trades through the discount brokers who are not able to provide the necessary trading expertise. The combination of both the trading strategies, in our view, is prudent and appropriate.

The Board of Trustees, as fiduciaries of the System, view their responsibility seriously for maintaining corporate governance to preserve shareholders' interest for the Systems' investments. The actual proxy voting responsibility is delegated to individual managers. However, the System has established clear and concise guidelines for proxy voting for domestic equity. A well-known consulting firm in this field, oversees and reports compliance to the proxy voting guidelines.

A set of guidelines for international equity is not practical as it varies from country to country and, given the size of the System's investments in international equity, the cost associated with establishing proxy voting guidelines for international equity would be inefficient. However, the international managers are expected to follow domestic equity proxy voting guidelines wherever appropriate.

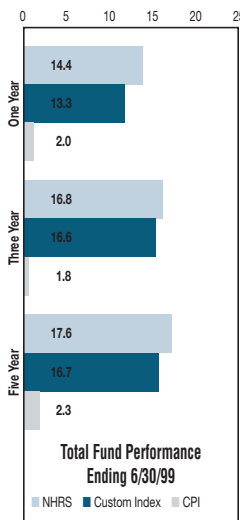
As we mentioned earlier, the Board of Trustees have been managing the investments of the System according to the "Prudent Investor Rule" which, over the years, has generated consistent returns at the lowest level of risk. The "Prudent Investor Rule" is granted to the Board by the New Hampshire State Legislature and is subject to review by the Legislature at least every 5 years.

We continue to recommend that the Legislature give favorable consideration to renewing application of the "Prudent Investor Rule" so that the Board can invest the System's assets in a manner consistent with modern portfolio theory, which the majority of other public pension plans currently follow.

Sincerely,



Charles M. Monroe
Senior Vice President
Evaluation Associates



ANNUALIZED INVESTMENT RETURNS—ACTUAL VERSUS INDICES

	Current Year 1999	Annualized 3 Year	Annualized 5 Year
Total NHRS Fund Custom Index*	14.4 %	16.8 %	17.6 %
Consumer Price Index	13.3	16.6	16.7
	2.0	1.8	2.3
Total Equity Segment	18.4	20.7	21.9
S&P 500 Index	22.7	29.1	27.9
MSCI EAFE Index	7.6	8.8	8.2
Total Fixed Income Segment	2.3	7.4	8.7
LB Govt/Corp Index	2.7	7.2	7.8
J.P. Morgan Govt Bond Index	3.6	4.7	6.6
Commercial Real Estate Segment	12.9	15.8	16.3
NCREIF Property Index	12.6	13.6	11.3
Consumer Price Index	2.0	1.8	2.3
Cash Equivalents Segment	4.9	5.3	5.4
ML 91 Day T-Bill Index	4.9	5.2	5.3
Alternative Investments Segment**	36.3	24.2	24.4
Timberfunds Segment**	3.9	10.0	10.5

The returns are calculated using a time-weighted rate of return in accordance with AIMR's Performance Presentation Standards.

* The custom index is a blended index which is formulated from major indices in proportion to the System's asset diversification.

** There is not a generally accepted market index for alternative investments or timberfunds.

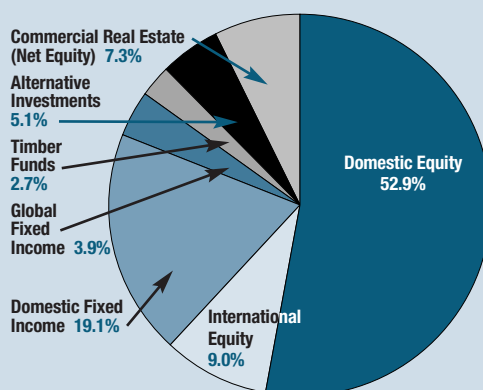
ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION

	Actual %	As of June 30, 1999 **Target %	**Target Range %
Domestic Equity	52.9	42.0	35–55
International Equity	9.0	9.0	5–15
Domestic Fixed Income	19.1	24.0	20–30
Global Fixed Income	3.9	5.0	0–10
Timberfunds	2.7	5.0	5–15 *
Alternative Investments	5.1	5.0	5–15 *
Commercial Real Estate (Net Equity)	7.3	10.0	0–10
TOTAL FUND	100.0 %	100.0 %	

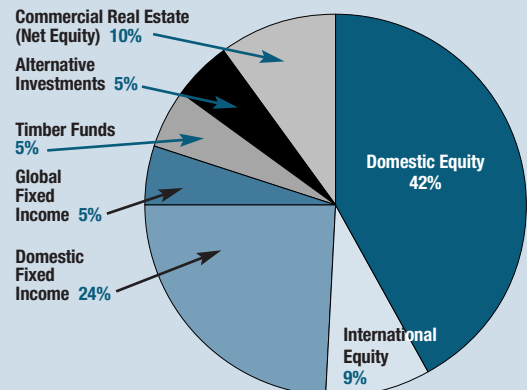
* Timberfunds and Alternative Investments together have a range of 5%–15%.

** Targets and Ranges as stated in The System's Investment Policy and Guidelines.

Actual Asset Allocation as of June 30, 1999



Target Asset Allocation as of June 30, 1999



TEN LARGEST STOCK HOLDINGS BY FAIR VALUE*

(in thousands)

Shares	Stock	June 30, 1999 Fair Value
915,275	Citigroup Inc.	\$43,476
479,800	Microsoft Corp.	43,272
320,000	International Business Machines Corp.	41,360
454,621	MCI Worldcom Inc.	39,126
497,718	Bank of America Corp.	36,489
509,100	Cisco Systems Inc.	32,805
344,350	Tyco International Ltd.	32,627
482,467	AT&T Corp.	26,928
415,100	Home Depot Inc.	26,748
277,088	Chase Manhattan Corp.	23,968

TEN LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE*

(in thousands)

Par	Security	June 30, 1999 Fair Value
22,775,000	FNMA Bond, 7.00%, Due 08/01/2029, Rated AAA	\$22,373
21,165,000	US Treasury Note, 6.50%, Due 10/15/2006, Rated AAA	21,876
17,465,000	US Treasury Note, 5.25%, Due 08/15/2003, Rated AAA	17,165
14,880,000	US Treasury Note, 6.25%, Due 06/30/2002, Rated AAA	15,129
9,500,000	WMX Technologies Senior Note, 7.10%, Due 08/01/2026, Rated BBB	9,660
8,920,000	1st UN Corp. Bond, 7.50%, Due 04/15/2035, Rated A-	9,115
9,100,000	GNMA Bond, 7.00%, Due 07/15/2029, Rated AAA	8,986
8,200,000	Xerox Corp. Medium Term Note, 5.875%, Due 06/15/2037, Rated A	8,241
8,461,286	GNMA Bond, 6.50%, Due 11/15/2028, Rated AAA	8,136
8,000,000	Household Finance Corp. Note, 6.00%, Due 05/01/2004, Rated A	7,749

* A complete listing of portfolio holdings is available for review at the System's office.

SCHEDULE OF INVESTMENT MANAGEMENT AND SERVICE FEES

	YEAR ENDED JUNE 30, 1999		
	Assets Under Management (in thousands)	Fees (in thousands)	Basis Points
INVESTMENT MANAGEMENT FEES			
Equity Investments:			
Domestic	\$2,253,253	\$ 8,081	36
International	383,227	1,656	43
Fixed Income Investments:			
Domestic	808,235	1,840	23
Global	164,257	647	39
Timberfunds:			
Domestic	50,771	264	52
International	65,917	290	44
Alternative Investments*:			
Vintage 1986–1990	19,042	414	122
Vintage 1991–1995	107,863	1,894	218
Vintage 1996–2000	89,750	3,114	185
Commercial Real Estate	512,488	3,191	62
Temporary Investments	2,866	—	—
TOTAL INVESTMENT MANAGEMENT FEES	\$4,457,669	\$21,391	48
INVESTMENT SERVICE FEES			
Custodial Fees	\$3,611,838	931	3
Investment Advisor Fees	\$4,457,669	581	1
Security Lending Management Fees	\$ 504,288	720	14
Other Investment Related Expenses and Rebates	—	(580)	—
TOTAL INVESTMENT MANAGEMENT AND SERVICE FEES	\$4,457,669	\$23,043	52

* Basis point calculation is based on committed capital in accordance with investment management contracts.

SCHEDULE OF BROKERAGE COMMISSIONS PAID

Brokerage Firm	YEAR ENDED JUNE 30, 1999		
	Number of Shares Traded	Total Commissions (in thousands)	Commissions Per Share
Fred M. Alger and Company, Inc.	11,506	\$ 531	\$0.05
Lynch, Jones and Ryan, Inc.*	7,339	387	0.05
Abel Noser Corporation*	10,369	256	0.02
Merrill, Lynch, Pierce, Fenner and Smith, Inc.	11,177	254	0.02
Morgan Stanley and Company, Inc.	8,131	240	0.03
SBC Warburg, Inc.	6,398	199	0.03
Bear Stearns Security Corporation	3,222	192	0.06
Goldman Sachs and Company	23,684	182	0.01
Instinet	4,168	173	0.04
Donaldson and Company, Inc.*	3,185	165	0.05
Broadcort Capital Corporation	2,725	146	0.05
Lehman Brothers, Inc.	2,265	126	0.06
J.P. Morgan Securities, Inc.	1,725	120	0.07
Smith Barney, Inc.	2,132	118	0.06
Union Bank of Switzerland	1,169	105	0.09
Cantor, Fitzgerald and Company	1,991	99	0.05
Donaldson, Lufkin and Jenrette Securities Corporation	1,465	78	0.05
Standard and Poors Securities, Inc.	1,431	74	0.05
First Boston Corporation	983	55	0.06
Lewco Securities	969	51	0.05
All Others (155 not listed separately)	46,482	1,129	0.02
TOTAL BROKERAGE COMMISSIONS PAID	152,516	\$4,680	\$0.03

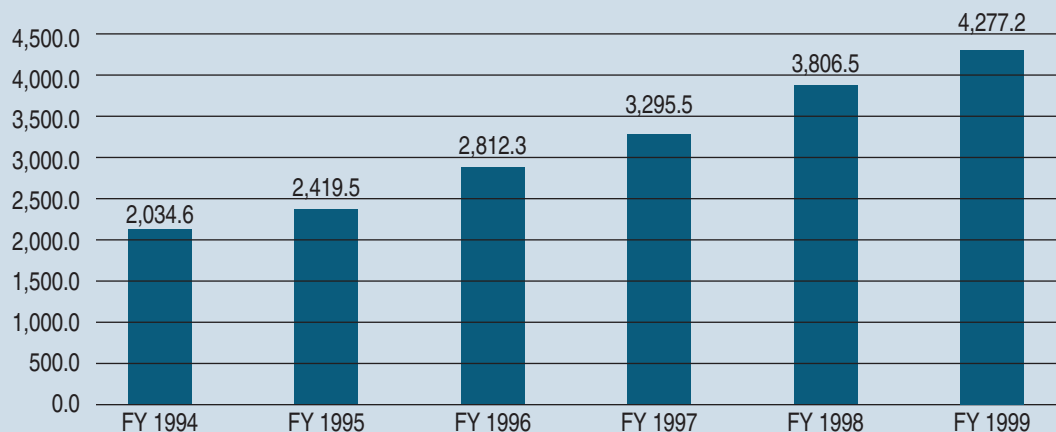
* The System participates in a brokerage commission recapture program with these firms.

SUMMARY OF INVESTMENTS

(in millions)

June 30, 1999		
TYPE OF INVESTMENT	Fair Value	Percent of Total Fair Value
FIXED INCOME		
BONDS		
Government	\$ 364.2	8.2 %
Corporate	313.8	7.0
Global	164.3	3.7
Convertible Corporate	39.7	0.9
TOTAL BONDS	882.0	19.8
Commercial Paper	44.0	1.0
Convertible Preferred Stock	38.7	0.8
Preferred Stock	7.8	0.2
TOTAL FIXED INCOME	972.5	21.8
EQUITY		
COMMON STOCKS		
Consumer Nondurables and Services	704.5	15.8
Technology	606.3	13.6
Financial Services	428.4	9.6
International Equity	383.2	8.6
Basic Industries	195.0	4.4
Capital Goods	149.3	3.3
Energy	106.6	2.4
Consumer Durables	63.2	1.4
TOTAL EQUITY	2,636.5	59.1
OTHER INVESTMENTS		
Commercial Real Estate	512.5	11.5
Alternative Investments	216.7	4.9
Timberfunds	116.7	2.6
Temporary Investments	2.8	0.1
TOTAL INVESTMENTS	\$4,457.7	100.0 %

Growth In Net Assets Held In Trust For Benefits
(in millions)



ACTUARIAL
CERTIFICATION

BUCK
CONSULTANTS

500 Plaza Drive
Secaucus, New Jersey 07096-1533

November 16, 1999

The Board of Trustees
New Hampshire Retirement System
4 Chenell Drive
Concord, New Hampshire 03301-8509

Ladies and Gentlemen:

Actuarial valuations of the NHRS are performed biennially to measure the ongoing costs of the System, the funded status of the System and the progress towards the funding goals over time. To determine funding requirements the valuation data is projected forward to the ensuing biennium.

In general, the financial goal of the NHRS, as stipulated by the Board of Trustees, is a pattern of contributions which is relatively stable over time as a percentage of pay and progresses towards a funded ratio (measured as the fair value of assets to the accumulated benefit obligation) of 130%. We believe that the contribution levels determined in the valuation satisfy these objectives.

The June 30, 1995 valuation determined the contributions of the System for the fiscal years ended June 30, 1998 and June 30, 1999. The contributions for the fiscal years ending June 30, 2000 and June 30, 2001 were determined based on the June 30, 1997 valuation of the System.

We have completed the June 30, 1999 actuarial valuation of the NHRS which will be used to determine the funding contributions for the System for the fiscal years ending June 30, 2002 and June 30, 2003.

The June 30, 1999 valuation reflects the following financially significant changes in the benefit structure:

- Employees, Teachers, Police Officers, and Firefighters retired prior to July 1, 1998 received a 4% COLA effective July 1, 1999.
- Employees, Teachers, Police Officers, and Firefighters retired prior to July 1, 1996 received a 4% COLA effective July 1, 1998.

As stipulated under the Statutes, the demographic and financial actuarial assumptions are selected by the Board of Trustees based on the recommendations of the actuary. The developing experience is monitored biennially with each valuation, and a formal review is completed at least once in each five-year period. The contributions for fiscal year 1999, which have been determined in the June 30, 1995 valuation of the System, are based on the open group aggregate funding method, a 9% interest assumption and graded salary scales which average 6% annually. In addition, for membership classifications that are not well funded (e.g., where the funded ratio is less than 130%) the Board has recommended that the minimum normal contribution rate not be less than the rates using target funding with a funding goal of 130% over a 20 year horizon and an 8% interest rate. As a result, the contribution levels are sufficient to attain the Board of Trustees' funding goal of 130% over 20 years with a 50% probability.

The disclosure information as of June 30, 1999 is based on the interest assumption of 9% which was used in the June 30, 1997 valuation for funding and disclosure purposes.

The Board of Trustees
November 16, 1999
Page 2

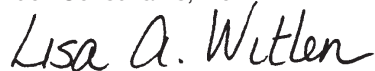
The initial asset value for valuation purposes is determined using a five-year moving average asset valuation method. The initial value is then compared with book value and fair value of assets and the middle value is used to compute the rates. The underlying demographic data is maintained and provided by the NHRS office. The data is analyzed by Buck for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

Buck prepared the normal contribution rates and actual contribution rates as a percent of current payroll tables, the analysis of changes in actuarial assumptions, pension benefit provisions and the membership composition table shown in the financial section. Buck prepared all the schedules shown in the actuarial section.

In our opinion, the attached schedules of valuation results prepared by the actuary fairly represent the status of the NHRS and present an accurate view of historical data. The underlying assumptions and methods used for funding purposes are consistent with the statutory specifications, meet the parameters of the disclosures presented in the GASB Statement No. 25, and represent a best estimate of the aggregate future experience of the System.

Respectfully submitted,

Buck Consultants, Inc.



Lisa A. Witlen, M.A.A.A., A.S.A., F.C.A., E.A.
Principal & Consulting Actuary

PLAN FUNDING STATUS AND PROGRESS

PLAN FUNDING STATUS AND PROGRESS

The New Hampshire Retirement System (System) determines the annual required contribution using the open group aggregate funding method. This method does not identify or separately amortize unfunded actuarial liabilities.

However, the Board of Trustees and the actuary monitor the funding progress by reviewing the funded ratios of the System each June 30th. The funded ratio is determined by dividing the net assets held in trust for benefits by the liabilities of the System. The funded ratio information as of June 30, 1999 and June 30, 1998 is on the following pages.

The liabilities used in the funded ratio have been determined on two bases: the projected benefit obligation and the accumulated benefit obligation. The projected benefit obligation is the present value of estimated pension benefits that will be paid in future years as a result of member services performed to date and is adjusted for the effects of projected salary increases. The accumulated benefit obligation is based on services performed to date and the compensation earned to date.

The information presented as of June 30, 1999 is based on the June 30, 1999 actuarial valuation of the System. The pension benefit obligation presented as of June 30, 1998 is based on the June 30, 1997 actuarial valuation of the System projected to June 30, 1998.

The funded ratio information is for disclosure purposes and is independent of the actuarial computation made to determine contributions to the System. The actuarial funding method used to determine contributions to the System is explained in Note 6 in the Financial Section.

Several significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- The present value of future pension payments was computed by using a discount rate of 9.0% for 1999 and 1998. The discount rate is equal to the estimated long-term rate of return on current and future investments of the System.
- Future pension payments at June 30, 1999 and 1998 reflect an average annual salary increase among the four classifications of 6.0%. (Each classification uses its own salary increase assumption.) This includes a 4.0% inflation and 2.0% merit/promotion component for both fiscal years.
- Future pension payments reflect no postretirement benefit increases, which is consistent with the terms of the pension statute.
- The liabilities as of June 30, 1999 and June 30, 1998 reflect the revised demographic assumptions that were adopted by the Board of Trustees as of June 30, 1997 and June 30, 1999, and they also reflect the Board's decision to recognize the impact of severance pay on average final compensation.

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PLAN FUNDING—PENSION AND POSTRETIREMENT MEDICAL PLANS

PLAN PENSION FUNDING

	ALL GROUPS 1999	ALL GROUPS 1998	EMPLOYEES 1999
PENSION BENEFIT OBLIGATION BY MEMBER GROUP EXCLUDING POSTRETIREMENT MEDICAL INSURANCE SUBSIDY AT JUNE 30, 1999 AND JUNE 30, 1998 (in thousands)			
A. Pension Benefit Obligation			
1. Retirees & Beneficiaries Currently Receiving Benefits & Terminated Employees Not Yet Entitled	\$1,481,589	\$1,290,766	\$509,433
2. Current Employees			
a. Accumulated Employee Contributions With Interest	1,229,239	1,174,732	419,864
b. Employer Financed Vested	175,954	130,074	39,308
c. Employer Financed Nonvested	342,411	329,090	84,035
3. Total Pension Benefit Obligation	\$3,229,193	\$2,924,662	\$1,052,640
% of Total Pension Benefit Obligation	100.00%	100.00%	32.60%
FUNDING STATUS AT FAIR VALUE OF ASSETS			
B. Net Assets			
Fair Value of Assets (excludes Administrative Assessment Account)	\$4,275,204	\$3,805,422	\$1,284,702
Less: Undesignated Special Account	432,922	469,479	184,251
Less: Account for Medical Insurance Subsidy	290,221	168,890	—
Net Fair Value of Assets Held in Trust for Benefits	\$3,552,061	\$3,167,053	\$1,100,451
% of Net Fair Value of Assets Held in Trust for Benefits	100.00%	100.00%	30.98%
C. Unfunded (Assets in Excess of) Pension Benefit Obligation	(\$322,868)	(\$242,391)	(\$47,811)
Percent Funded	110.00%	108.29%	104.54%
Payroll	\$1,393,628	\$1,294,654	\$ 588,290
Unfunded (Excess)/Payroll	(23.17%)	(18.72%)	(8.13%)
FUNDING STATUS AT ACTUARIAL VALUE OF ASSETS			
D. Net Assets			
Actuarial Value	\$3,319,448	\$3,077,420	\$1,072,805
Less: Special Account	432,922	469,479	184,251
Net Assets Held in Trust for Benefits	\$2,886,526	\$2,607,941	\$ 888,554
E. Unfunded (Assets in Excess of) Pension Benefit Obligation	\$ 342,667	\$ 316,721	\$ 164,086
Percent Funded	89.39%	89.17%	84.41%
Payroll	\$1,393,628	\$1,294,654	\$ 588,290
Unfunded (Excess)/Payroll	24.59%	24.46%	27.89%

ACCUMULATED PLAN BENEFIT INFORMATION BY MEMBER GROUP AT JUNE 30, 1999 AND JUNE 30, 1998

(in thousands)

Vested Benefits			
Participants Currently Receiving Benefits	\$1,464,941	\$1,278,159	\$ 501,219
Other Participants	1,421,842	1,317,415	467,386
Total Vested Benefits	\$2,886,783	\$2,595,574	\$ 968,605
Nonvested Benefits	29,276	28,052	4,623
Total Pension Liabilities	\$2,916,059	\$2,623,626	\$ 973,228
% of Total Pension Liabilities	100.00%	100.00%	33.38%
Fair Value of Assets (excludes Administrative Assessment Account)	\$4,275,204	\$3,805,422	\$1,284,702
Less: Undesignated Special Account	432,922	469,479	184,251
Less: Account for Medical Insurance Subsidy	290,221	168,890	—
Net Fair Value of Assets Held in Trust for Benefits	\$3,552,061	\$3,167,053	\$1,100,451
% of Net Fair Value of Assets Held in Trust for Benefits	100.00%	100.00%	30.98%
Funding Ratio for Pension Liability	121.81%	120.71%	113.07%
Actuarial Present Value of Postretirement Medical Liabilities			
Active	\$ 115,110	\$ 108,532	—
Retire	146,510	57,770	—
Total Actuarial Present Value of Postretirement Medical Liabilities	\$ 261,620	\$ 166,302	—
Total Actuarial Present Value of Accrued Benefits	\$3,177,679	\$2,789,928	\$ 973,228
Fair Value of Assets Held in Trust for Benefits	\$3,842,282	\$3,335,943	\$1,100,451
Overall Funded Ratio	120.91%	119.57%	113.07%

NOTE: Liabilities for 1999 and 1998 based on 9% interest.

EMPLOYEES 1998	TEACHERS 1999	TEACHERS 1998	POLICE OFFICERS 1999	POLICE OFFICERS 1998	FIREFIGHTERS 1999	FIREFIGHTERS 1998
\$459,428	\$ 536,752	\$ 456,814	\$291,817	\$250,832	\$143,587	\$123,692
396,978	537,114	518,266	175,847	167,333	96,414	92,155
23,937	87,193	65,938	31,867	27,220	17,586	12,979
83,413	150,097	150,089	70,143	61,648	38,136	33,940
\$963,756	\$1,311,156	\$1,191,107	\$569,674	\$507,033	\$295,723	\$262,766
32.95%	40.60%	40.73%	17.64%	17.34%	9.16%	8.98%
\$1,146,600	\$1,678,762	\$1,484,220	\$866,058	\$775,872	\$445,682	\$398,730
164,345	120,889	182,571	69,097	71,876	58,685	50,687
—	89,100	—	125,192	100,254	75,929	68,636
\$982,255	\$1,468,773	\$1,301,649	\$671,769	\$603,742	\$311,068	\$279,407
31.02%	41.35%	41.10%	18.91%	19.06%	8.76%	8.82%
(\$18,499)	(\$157,617)	(\$110,542)	(\$102,095)	(\$96,709)	(\$15,345)	(\$16,641)
101.92%	112.02%	109.28%	117.92%	119.07%	105.19%	106.33%
\$546,270	609,275	\$ 563,485	137,981	\$128,549	\$ 58,082	\$56,350
(3.39%)	(25.87%)	(19.62%)	(73.99%)	(75.23%)	(26.42%)	(29.53%)
\$973,620	\$1,311,158	\$1,242,161	\$614,295	\$569,839	\$321,190	\$291,800
164,345	120,889	182,571	69,097	71,876	58,685	50,687
\$809,275	\$1,190,269	\$1,059,590	\$545,198	\$497,963	\$262,505	\$241,113
\$154,481	\$ 120,887	\$ 131,517	\$ 24,476	\$ 9,070	\$ 33,218	\$ 21,653
83.97%	90.78%	88.96%	95.70%	98.21%	88.77%	91.76%
\$546,270	\$ 609,275	\$ 563,485	\$137,981	\$128,549	\$ 58,082	\$ 56,350
28.28%	19.84%	23.34%	17.74%	7.06%	57.19%	38.43%
\$453,196	\$ 528,764	\$ 450,786	\$291,465	\$250,584	\$143,493	\$123,593
427,147	632,295	590,233	208,066	194,802	114,095	105,233
\$880,343	\$1,161,059	\$1,041,019	\$499,531	\$445,386	\$257,588	\$228,826
4,776	1,202	1,217	15,542	14,677	7,909	7,382
\$885,119	\$1,162,261	\$1,042,236	\$515,073	\$460,063	\$265,497	\$236,208
33.74%	39.86%	39.72%	17.66%	17.54%	9.10%	9.00%
\$1,146,600	\$1,678,762	\$1,484,220	\$866,058	\$775,872	\$445,682	\$398,730
164,345	120,889	182,571	69,097	71,876	58,685	50,687
—	89,100	—	125,192	100,254	75,929	68,636
\$982,255	\$1,468,773	\$1,301,649	\$671,769	603,742	\$311,068	\$279,407
31.02%	41.35%	41.10%	18.91%	19.06%	8.76%	8.82%
110.97%	126.37%	124.89%	130.42%	131.23%	117.16%	118.29%
—	\$ 20,567	—	\$61,590	\$ 70,173	\$ 32,953	\$ 38,359
—	68,553	—	51,930	37,759	26,027	20,011
—	\$ 89,120	—	\$113,520	\$107,932	\$ 58,980	\$ 58,370
\$885,119	\$1,251,381	\$1,042,236	\$628,593	\$567,995	\$324,477	\$294,578
\$982,255	\$1,557,873	\$1,301,649	\$796,961	\$703,996	\$386,997	\$348,043
110.97%	124.49%	124.89%	126.78%	123.94%	119.27%	118.15%

ACCUMULATED PLAN BENEFIT INFORMATION FOR POSTRETIREMENT MEDICAL INSURANCE SUBSIDY—9% INTEREST, 8% MEDICAL TREND (in thousands)

	Total 1999	Total 1998	Teachers 1999	Teachers 1998	Police Officers 1999	Police Officers 1998	Firefighters 1999	Firefighters 1998
Accumulated Benefit Obligation								
Actives	\$115,109	\$108,532	\$20,566	—	\$ 61,590	\$ 70,173	\$32,953	\$38,359
Retireds	146,509	57,770	68,553	—	51,930	37,759	26,027	20,011
Total Accumulated Benefit Obligation	\$261,618	\$166,302	\$89,119	—	\$113,520	\$107,932	\$58,980	\$58,370
Fair Value of Assets								
401(h) Subtrust	\$ 61,355	\$ 52,864	—	—	\$ 36,477	\$ 31,522	\$24,878	\$21,342
Medical Special Account	228,866	116,026	89,100	—	88,714	68,732	51,051	47,294
Fair Value of Assets Held in Trust for Benefits for Postretirement Medical Premiums	\$290,221	\$168,890	\$89,100	—	\$125,192	\$100,254	\$75,929	\$68,636
Funded Ratio	110.93%	101.56%	99.98%	—	110.28%	92.89%	128.74%	117.59%

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES

TOTAL OF ALL GROUPS	(dollars in thousands)					
Valuation Date	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91	6/30/89**
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	\$1,464,941	\$1,172,285	\$ 933,696	\$ 684,862	\$ 592,702	\$ 463,156
Other Participants	\$1,421,842	\$1,201,724	\$ 942,436	\$ 745,789	\$ 644,450	\$ 443,356
Total Vested	\$2,886,783	\$2,374,009	\$ 1,876,132	\$1,430,651	\$1,237,152	\$ 906,512
Nonvested Benefits	\$ 29,276	\$ 29,054	\$ 42,869	\$ 26,627	\$ 23,521	\$ 43,841
Total Pension Liabilities†	\$2,916,059	\$2,403,063	\$ 1,919,001	\$1,457,278	\$1,260,673	\$ 950,353
Fair Value of Assets for Pension Liabilities*	\$3,552,061	\$2,941,505	\$2,303,656	\$1,886,365	\$1,460,196#	\$1,147,548
Funded Ratio for Pension Liabilities	121.81%	122.4%	120.0%	129.4%	115.8%	120.8%
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	\$ 115,110	\$ 66,565	\$ 51,155	\$ 41,808	\$ 46,444	\$ 45,490
Retired	\$ 146,510	\$ 56,781	\$ 45,597	\$ 34,794	\$ 34,475	\$ 23,417
Total	\$ 261,620	\$ 123,346	\$ 96,752	\$ 76,602	\$ 80,919	\$ 68,907
Total Actuarial Present Value of Accrued Benefits†	\$3,177,679	\$2,526,409	\$ 2,015,753	\$1,533,880	\$1,341,592	\$1,019,260
Fair Value of Assets Held in Trust for Benefits*	\$3,842,282	\$3,060,837	\$ 2,397,098	\$1,967,511	\$1,528,261#	\$1,206,123
Overall Funded Ratio	120.91%	121.2%	118.9%	128.3%	113.9%	118.3%

* 6/30/89 and later amounts exclude the Special Account but include the Special Reserve.

** The June 30, 1989 valuation results reflect amendments which increased benefits for Group I.

Reflects the asset transfer as of July 1, 1991 to the non-governmental members.

† 6/30/93 and later liabilities based on a 9% interest assumption. All prior years based on an 8% interest assumption.

NOTE: Accumulated benefit obligation is defined as the actuarial present value of benefits based on service and salary as of the valuation date.

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES**EMPLOYEES**

(dollars in thousands)

Valuation Date	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91	6/30/89
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	\$ 501,219	\$ 418,829	\$ 348,292	\$ 271,847	\$ 243,772	\$ 190,568
Other Participants	\$ 467,386	\$ 391,813	\$ 312,642	\$ 243,102	\$ 210,441	\$ 147,800
Total Vested	\$ 968,605	\$ 810,642	\$ 660,934	\$ 514,949	\$ 454,213	\$ 338,368
Nonvested Benefits	\$ 4,623	\$ 5,617	\$ 7,363	\$ 13,222	\$ 769	\$ 11,935
Total Pension Liabilities†	\$ 973,228	\$ 816,259	\$ 668,297	\$ 528,171	\$ 454,982	\$ 350,303
Fair Value of Assets for Pension Liabilities*	\$1,100,451	\$ 914,804	\$ 731,764	\$ 606,785	\$474,995#	\$ 379,512
Funded Ratio for Pension Liabilities	113.1%	112.1%	109.5%	114.9%	104.4%	108.3%
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	—	—	—	—	—	—
Retired	—	—	—	—	—	—
Total	—	—	—	—	—	—
Total Actuarial Present Value of Accrued Benefits†	\$ 973,228	\$ 816,259	\$ 668,297	\$ 528,171	\$ 454,982	\$ 350,303
Fair Value of Assets Held in Trust for Benefits *	\$1,100,451	\$ 914,804	\$ 731,764	\$ 606,785	\$474,995#	\$ 379,512
Overall Funded Ratio	113.1%	112.1%	109.5%	114.9%	104.4%	108.3%

TEACHERS

(dollars in thousands)

Valuation Date	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91	6/30/89
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	\$ 528,764	\$ 417,390	\$ 316,379	\$ 211,850	\$ 161,889	\$ 131,213
Other Participants	\$ 632,295	\$ 530,948	\$ 407,642	\$ 321,365	\$ 265,253	\$ 168,189
Total Vested	\$1,161,059	\$ 948,338	\$ 724,021	\$ 533,215	\$ 427,142	\$ 299,402
Nonvested Benefits	\$ 1,202	\$ 2,156	\$ 11,976	\$ 5,069	\$ 1,895	\$ 4,710
Total Pension Liabilities†	\$1,162,261	\$ 950,494	\$ 735,997	\$ 538,284	\$ 429,037	\$ 304,112
Fair Value of Assets for Pension Liabilities*	\$1,468,773	\$ 1,196,062	\$ 910,976	\$ 738,395	\$563,856#	\$ 450,303
Funded Ratio for Pension Liabilities	126.4%	125.8%	123.8%	137.2%	131.4%	148.1%
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	\$ 20,567	—	—	—	—	—
Retired	\$ 68,553	—	—	—	—	—
Total	\$ 89,120	—	—	—	—	—
Total Actuarial Present Value of Accrued Benefits†	\$1,251,381	\$ 950,494	\$ 735,997	\$ 538,284	\$ 429,037	\$ 304,112
Fair Value of Assets Held in Trust for Benefits *	\$1,557,873	\$ 1,196,062	\$ 910,976	\$ 738,395	\$563,856#	\$ 450,303
Overall Funded Ratio	124.5%	125.8%	123.8%	137.2%	131.4%	148.1%

* 6/30/89 and later amounts exclude the Special Account but include the Special Reserve.

Reflects the asset transfer as of July 1, 1991 to the non-governmental members.

† 6/30/93 and later liabilities based on a 9% interest assumption. All prior years based on an 8% interest assumption.

NOTE: Accumulated benefit obligation is defined as the actuarial present value of benefits based on service and salary as of the valuation date.

FUNDING PROGRESS BASED ON NHRS BOARD OF TRUSTEES OBJECTIVES**POLICE OFFICERS**

(dollars in thousands)

Valuation Date	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91	6/30/89
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	\$ 291,465	\$ 223,626	\$ 179,281	\$ 125,635	\$ 114,126	\$ 82,425
Other Participants	\$ 208,066	\$ 182,046	\$ 139,379	\$ 115,721	\$ 107,864	\$ 83,232
Total Vested	\$ 499,531	\$ 405,672	\$ 318,660	\$ 241,356	\$ 221,990	\$ 165,657
Nonvested Benefits	\$ 15,542	\$ 14,042	\$ 14,074	\$ 5,559	\$ 12,892	\$ 17,813
Total Pension Liabilities[†]	\$ 515,073	\$ 419,714	\$ 332,734	\$ 246,915	\$ 234,882	\$ 183,470
Fair Value of Assets for Pension Liabilities*	\$ 671,770	\$ 564,654	\$ 443,080	\$ 363,770	\$ 282,286	\$ 210,273
Funded Ratio for Pension Liabilities	130.4%	134.5%	133.2%	147.3%	120.2%	114.6%
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	\$ 61,590	\$ 42,075	\$ 29,302	\$ 24,461	\$ 28,820	\$ 28,307
Retired	\$ 51,930	\$ 37,015	\$ 29,639	\$ 21,493	\$ 20,966	\$ 14,243
Total	\$ 113,520	\$ 79,090	\$ 58,941	\$ 45,954	\$ 49,786	\$ 42,550
Total Actuarial Present Value of Accrued Benefits[†]	\$ 628,593	\$ 498,804	\$ 391,675	\$ 292,869	\$ 284,668	\$ 226,020
Fair Value of Assets Held in Trust for Benefits *	\$ 796,961	\$ 633,105	\$ 497,333	\$ 410,530	\$ 321,637	\$ 244,324
Overall Funded Ratio	126.8%	126.9%	127.0%	140.2%	113.0%	108.1%

FIREFIIGHTERS

(dollars in thousands)

Valuation Date	6/30/99	6/30/97	6/30/95	6/30/93	6/30/91	6/30/89
Actuarial Present Value of Accrued Benefits:						
Vested Benefits:						
Participants Currently Receiving Payments	\$143,493	\$112,440	\$ 89,744	\$ 75,530	\$ 72,915	\$ 58,950
Other Participants	\$114,095	\$ 96,917	\$ 82,773	\$ 65,601	\$ 60,892	\$ 44,135
Total Vested	\$257,588	\$209,357	\$172,517	\$141,131	\$133,807	\$103,085
Nonvested Benefits	\$ 7,909	\$ 7,239	\$ 9,456	\$ 2,777	\$ 7,965	\$ 9,383
Total Pension Liabilities[†]	\$265,497	\$216,596	\$181,973	\$143,908	\$141,772	\$112,468
Fair Value of Assets for Pension Liabilities*	\$311,069	\$265,984	\$217,836	\$177,415	\$139,059	\$107,460
Funded Ratio for Pension Liabilities	117.2%	122.8%	119.7%	123.3%	98.1%	95.6%
Actuarial Present Value of Post Retirement Medical Liabilities						
Active	\$ 32,953	\$ 24,490	\$ 21,853	\$ 17,347	\$ 17,624	\$ 17,183
Retired	\$ 26,027	\$ 19,766	\$ 15,958	\$ 13,301	\$ 13,509	\$ 9,174
Total	\$ 58,980	\$ 44,256	\$ 37,811	\$ 30,648	\$ 31,133	\$ 26,357
Total Actuarial Present Value of Accrued Benefits[†]	\$324,477	\$260,852	\$219,784	\$ 174,556	\$172,905	\$ 138,825
Fair Value of Assets Held in Trust for Benefits *	\$386,998	\$316,866	\$257,025	\$211,801	\$167,773	\$131,984
Overall Funded Ratio	119.3%	121.5%	116.9%	121.3%	97.0%	95.1%

* 6/30/89 and later amounts exclude the Special Account but include the Special Reserve.

† 6/30/93 and later liabilities based on a 9% interest assumption. All prior years based on an 8% interest assumption.

NOTE: Accumulated benefit obligation is defined as the actuarial present value of benefits based on service and salary as of the valuation date.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Assumptions and methods are adopted by the Board of Trustees in consultation with the actuary. An experience study was prepared as of June 30, 1993. The June 30, 1995 valuation which was used to determine contributions for the fiscal years ending June 30, 1998 and 1999 was based on the revised assumptions adopted by the Board of Trustees based on the June 30, 1993 experience study.

An experience study was also prepared as of June 30, 1997. The Board of Trustees adopted revised assumptions effective with the June 30, 1997 valuation which will be used to determine contributions for the fiscal years ending June 30, 2000 and June 30, 2001. The Board of Trustees adopted revised postretirement mortality assumptions for Firefighters effective with the June 30, 1999 valuation which will be used to determine contributions for the fiscal years ending June 30, 2002 and June 30, 2003. Note 5 in the financial section provides the financial impact of the changes in actuarial assumptions as of June 30, 1999.

GROUP I—EMPLOYEES

INTEREST RATE: 9% per annum, compounded annually.
9% per annum, compounded annually on employee contributions
(includes a 4% inflation component).

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, death, disability, early retirement and normal retirement are as follows:

Annual Rate of						
Age	Withdrawal and Vesting *		Death		Disability	
	Men	Women	Men	Women	Men	Women
25	5.00%	5.00%	.06%	.04%	.04%	.03%
30	5.00	4.00	.06	.04	.06	.03
35	3.50	4.00	.06	.04	.07	.04
40	3.50	4.00	.08	.08	.09	.05
45	3.50	3.00	.15	.11	.10	.10
50	3.50	3.00	.20	.15	.20	.10
55	3.50	2.00	.30	.19	.30	.20
59	3.50	2.00	.40	.22	.40	.20

*Withdrawal rates for the first two years of employment are multiplied by 2.0.

Annual Rate of				
Age	Early Retirement		Normal Retirement	
	Men	Women	Men	Women
55	3.00%	3.00%	—	—
58	5.00	5.00	—	—
61	—	—	8.50%	8.00%
64	—	—	16.00	16.00
67	—	—	20.00	20.00
70	—	—	100.00	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows (includes a 4% inflation component):

Age	Annual Rate of Salary Increases
25	7.70%
30	6.60
35	6.35
40	6.10
45	5.90
50	5.70
55	5.50
60	5.30
64	5.14

DEATHS AFTER RETIREMENT: According to the 1989 Buck Mortality Table.

MORTALITY RATE			MORTALITY RATE		
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.17%	.08%	75	4.62%	2.59%
50	.28	.12	80	7.20	4.33
55	.45	.23	85	10.92	6.94
60	.80	.44	90	15.57	10.53
65	1.50	.86	95	20.47	15.60
70	2.75	1.56	100	27.58	23.08

A special mortality table was used for the period after disability retirement.

VALUATION METHOD: Open group aggregate. Under this method, the excess of the actuarial present value of projected benefits over the sum of a) the actuarial value of assets, b) the present value of future employee contributions and c) the unfunded accrued liability is allocated over the future earnings of the members between the valuation date and the assumed retirement date. The actuarial present value of projected benefits, the present value of future employee contributions and the present value of future earnings are calculated for both current members and future members. The Board of Trustees recommends that the results cannot be less than the rates using target funding assuming a 130% funded level over a 20 year horizon. Gains and losses are spread over the average future careers of both current and future active members.

ASSET VALUATION METHOD: Five-year moving average of fair values based on unit values. Under this method an artificial unit value is established as a starting point, and based on that value, the starting number of units is determined. The increase in the number of units is determined by converting the net cash flow, excluding realized and unrealized gains and losses, into additional units based on the unit value at the beginning of the measurement period. At the end of the measurement period the number of units is divided into the fair value of the fund to determine the new unit value. The average unit value over the past five years is multiplied by the number of units available at the valuation date to determine the value of assets at the valuation date. The actual value of assets used in the valuation is the middle value among book, fair, and the five-year average value, however, it cannot be lower than the five-year average value.

PERCENTAGE MARRIED: 80% of active members are assumed to be married and eligible for spouse's benefit with the husband assumed to be three years older than the wife.

EXPENSES: Normal rate is loaded by 0.422% for fiscal year 1998 and by 0.30% for fiscal year 1999.

PROJECTION ASSUMPTIONS: The following additional assumptions were used in projecting the workforce. All other assumptions for projection purposes were identical to the valuation assumptions outlined above.

WORKFORCE SIZE: Constant

NEW ENTRANT DISTRIBUTION: The new entrants are assumed to be 40% male and 60% female distributed by age as follows:

Male			Female	
Age	Percent	1995 Compensation Level*	Percent	1995 Compensation Level*
20	5.0%	\$ 16,500	5.0%	\$ 14,000
25	15.0	18,000	15.0	16,000
30	15.0	21,000	15.0	18,000
35	15.0	22,500	20.0	18,000
40	15.0	24,000	15.0	18,500
45	15.0	24,000	15.0	19,000
50	10.0	24,500	10.0	19,500
55	10.0	24,500	5.0	19,500

* Increases at 5.0% per annum and based on 6/30/95 new member demographics.

INVESTMENTS: The total realized rate of return on adjusted assets was 9% per annum during the projection period.

GROUP I—TEACHERS

INTEREST RATE: 9% per annum, compounded annually.
 9% per annum, compounded annually on employee contributions
 (includes a 4% inflation component).

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, death, disability, early retirement and normal retirement are as follows:

Age	First Year Withdrawal and Vesting		Second Year Withdrawal and Vesting		Ultimate Withdrawal and Vesting		Death		Disability	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
25	11.86%	10.73%	11.86%	6.00%	4.00%	3.00%	.06%	.05%	.01%	.01%
30	8.82	7.87	8.82	6.00	3.50	3.00	.06	.05	.01	.01
35	7.28	7.15	7.28	5.00	3.00	2.00	.06	.05	.01	.01
40	5.46	5.01	5.46	4.00	2.00	2.00	.06	.05	.01	.01
45	4.58	3.23	4.58	4.00	2.00	2.00	.06	.05	.02	.02
50	7.50	3.79	7.50	3.00	3.00	2.00	.12	.10	.05	.05
55	12.00	12.00	12.00	3.00	4.00	3.00	.18	.15	.20	.10
59	28.00	30.00	28.00	6.00	4.00	4.00	.18	.20	.30	.25

Annual Rate of		
Age	Early Retirement	Normal Retirement
55	2.25%	—
58	3.60	—
61	—	12.50
64	—	18.00
67	—	11.50
70	—	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows (includes a 4% inflation component):

Annual Rate of Salary Increases		
Age	Men	Women
25	8.91%	9.55%
30	7.36	7.55
35	6.45	6.80
40	5.62	6.30
45	5.13	5.80
50	4.88	5.80
55	4.67	5.80
60	4.46	5.80
64	4.37	5.40

DEATHS AFTER RETIREMENT: According to the 1989 Buck Mortality Table set back 2 years for men and women.

MORTALITY RATE			MORTALITY RATE		
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.14%	.08%	75	3.80%	2.12%
50	.23	.10	80	6.05	3.53
55	.37	.18	85	9.28	5.79
60	.63	.34	90	13.66	8.95
65	1.16	.67	95	18.43	13.35
70	2.18	1.25	100	24.20	19.69

A special mortality table was used for the period after disability retirement.

VALUATION METHOD: Open group aggregate. Under this method, the excess of the actuarial present value of projected benefits over the sum of a) the actuarial value of assets, b) the present value of future employee contributions and c) the unfunded accrued liability is allocated over the future earnings of the members between the valuation date and the assumed retirement date. The actuarial present value of projected benefits, the present value of future employee contributions and the present value of future earnings are calculated for both current members and future members. The Board of Trustees recommends that the results cannot be less than the rates using target funding assuming a 130% funded level over a 20 year horizon. Gains and losses are spread over the average future careers of both current and future active members.

ASSET VALUATION METHOD: Five-year moving average of fair values based on unit values. Under this method an artificial unit value is established as a starting point, and based on that value, the starting number of units is determined. The increase in the number of units is determined by converting the net cash flow, excluding realized and unrealized gains and losses, into additional units based on the unit value at the beginning of the measurement period. At the end of the measurement period the number of units is divided into the fair value of the fund to determine the new unit value. The average unit value over the past five years is multiplied by the number of units available at the valuation date to determine the value of assets at the valuation date. The actual value of assets used in the valuation is the middle value among book, fair, and the five-year average value, however, it cannot be lower than the five-year average value.

PERCENTAGE MARRIED: 80% of active members are assumed to be married and eligible for spouse's benefit with the husband assumed to be three years older than the wife.

EXPENSES: Employing subdivision's normal rate is loaded by 0.422% for fiscal year 1998 and by 0.30% for fiscal year 1999.

PROJECTION ASSUMPTIONS: The following additional assumptions were used in projecting the workforce. All other assumptions for projection purposes were identical to the valuation assumptions outlined above.

WORKFORCE SIZE: Constant

NEW ENTRANT DISTRIBUTION: The new entrants are assumed to be 25% male and 75% female distributed by age as follows:

Male			Female	
Age	Percent	1995 Compensation Level*	Percent	1995 Compensation Level*
25	25.0%	\$ 25,500	25.0%	\$ 25,000
30	20.0	28,000	15.0	27,000
35	15.0	30,000	15.0	28,000
40	10.0	33,000	20.0	28,000
45	15.0	37,500	15.0	30,000
50	15.0	39,000	10.0	33,000

*Increases at 5.0% per annum and based on 6/30/95 new member demographics.

INVESTMENTS: The total realized rate of return on adjusted assets was 9% per annum during the projection period.

GROUP II — POLICE OFFICERS

INTEREST RATE: 9% per annum, compounded annually.
 9% per annum, compounded annually on employee contributions
 (includes a 4% inflation component).

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal, vesting, death, disability, and retirement are as follows:

Annual Rate of								
Age	Withdrawal and Vesting	Ordinary	Death	Accidental	Ordinary	Disability	Accidental	Retirement
25	7.00%	.05%		.01%	.01%		.01%	—
30	6.00	.06		.01	.02		.01	—
35	5.00	.07		.01	.02		.23	—
40	4.00	.10		.01	.06		.35	—
45	4.00	.14		.01	.24		.46	15.00%
50	4.00	.16		.01	.20		.58	21.00
55	4.00	.24		.01	.36		.82	25.00
60	2.00	.30		.01	1.38		.90	10.00
64	—	.40		.01	2.19		1.15	25.00
67	—	—		—	—		—	25.00
70	—	—		—	—		—	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows (includes a 4% inflation component):

Age	Annual Rate of Salary Increases
25	9.40%
30	6.82
35	5.96
40	5.50
45	5.29
50	5.21
55	5.00
60	4.95
64	4.91

DEATHS AFTER RETIREMENT: According to the 1984 Buck Mortality Table.

MORTALITY RATE			MORTALITY RATE		
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.24%	.10%	75	4.97%	2.93%
50	.35	.16	80	7.76	4.72
55	.54	.29	85	11.64	7.26
60	.96	.54	90	16.16	10.71
65	1.77	.99	95	20.78	15.71
70	3.09	1.74	100	27.66	23.96

A special mortality table was used for the period after disability retirement.

NORMAL RETIREMENT: Age 45 with 20 years of service or age 60 if earlier.

VALUATION METHOD: Open group aggregate. Under this method, the excess of the actuarial present value of projected benefits over the sum of a) the actuarial value of assets, b) the present value of future employee contributions and c) the unfunded accrued liability is allocated over the future earnings of the members between the valuation date and the assumed retirement date. The actuarial present value of projected benefits, the present value of future employee contributions and the present value of future earnings are calculated for both current members and future members. The Board of Trustees recommends that the results cannot be less than the rates using target funding assuming a 130% funded level over a 20 year horizon. Gains and losses are spread over the average future careers of both current and future active members.

ASSET VALUATION METHOD: Five-year moving average of fair values based on unit values. Under this method an artificial unit value is established as a starting point, and based on that value, the starting number of units is determined. The increase in the number of units is determined by converting the net cash flow, excluding realized and unrealized gains and losses, into additional units based on the unit value at the beginning of the measurement period. At the end of the measurement period the number of units is divided into the fair value of the fund to determine the new unit value. The average unit value over the past five years is multiplied by the number of units available at the valuation date to determine the value of assets at the valuation date. The actual value of assets used in the valuation is the middle value among book, fair, and the five-year average value, however, it cannot be lower than the five-year average value.

PERCENTAGE MARRIED: 50% of active members are assumed to be married and eligible for spouse's benefit with the husband assumed to be three years older than the wife. 40% of active members are assumed to be married and elect spousal coverage for postretirement medical benefits.

EXPENSES: Employing subdivision's normal rate is loaded by 0.422% for fiscal year 1998 and 0.30% for fiscal year 1999.

PROJECTION ASSUMPTIONS: The following additional assumptions were used in projecting the workforce. All other assumptions for projection purposes were identical to the valuation assumptions outlined above.

WORKFORCE SIZE: Constant

NEW ENTRANT DISTRIBUTION: The new entrants are assumed to be all males distributed by age as follows:

Age	Percent	1995 Compensation Level*
20	5.0%	\$20,000
25	40.0	26,000
30	20.0	25,500
35	15.0	26,000
40	10.0	24,500
45	10.0	26,000

*Increases at 5.0% per annum and based on 6/30/95 new member demographics.

INVESTMENTS: The total realized rate of return on adjusted assets was 9% per annum during the projection period.

GROUP II — FIREFIGHTERS

INTEREST RATE: 9% per annum, compounded annually.
 9% per annum, compounded annually on employee contributions
 (includes a 4% inflation component).

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, death, disability, and retirement are as follows:

Age	Annual Rate of					
	Withdrawal and Vesting	Ordinary	Death Accidental	Ordinary	Disability Accidental	Retirement
25	2.00%	.04%	.02%	.01%	.05%	—
30	2.00	.04	.02	.02	.10	—
35	2.00	.05	.02	.03	.20	—
40	2.00	.07	.02	.10	.20	—
45	1.50	.10	.02	.40	.30	20.70%
50	1.50	.11	.02	.30	1.00	16.56
55	3.00	.17	.02	.60	1.00	24.15
60	—	.21	.02	.60	1.00	17.25
64	—	.28	.02	.60	1.00	20.50
67	—	—	—	—	—	26.50
70	—	—	—	—	—	100.00

SALARY INCREASES: Representative values of the assumed rates of future salary increases are as follows (includes a 4% inflation component):

Age	Annual Rate of Salary Increases
25	7.62%
30	6.79
35	5.96
40	5.50
45	5.29
50	5.21
55	5.00
60	4.95
64	4.91

DEATHS AFTER RETIREMENT: According to the 1984 Buck Mortality Table.

MORTALITY RATE			MORTALITY RATE		
AGE	MEN	WOMEN	AGE	MEN	WOMEN
45	.24%	.10%	75	4.97%	2.93%
50	.35	.16	80	7.76	4.72
55	.54	.29	85	11.64	7.26
60	.96	.54	90	16.16	10.71
65	1.77	.99	95	20.78	15.71
70	3.09	1.74	100	27.66	23.96

A special mortality table was used for the period after disability retirement.

NORMAL RETIREMENT: Age 45 with 20 years of service or age 60 if earlier.

VALUATION METHOD: Open group aggregate. Under this method, the excess of the actuarial present value of projected benefits over the sum of a) the actuarial value of assets, b) the present value of future employee contributions and c) the unfunded accrued liability is allocated over the future earnings of the members between the valuation date and the assumed retirement date. The actuarial present value of projected benefits, the present value of future employee contributions and the present value of future earnings are calculated for both current members and future members. The Board of Trustees recommends that the results cannot be less than the rates using target funding assuming a 130% funded level over a 20 year horizon. Gains and losses are spread over the average future careers of both current and future active members.

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PERCENTAGE MARRIED: 50% of active members are assumed to be married and eligible for spouse's benefit with the husband assumed to be three years older than the wife. 40% of active members are assumed to be married and elect spousal coverage for postretirement medical benefits.

EXPENSES: Employing subdivision's normal rate is loaded by 0.422% for fiscal year 1998 and by 0.30% for fiscal years 1999.

PROJECTION ASSUMPTIONS: The following additional assumptions were used in projecting the workforce. All other assumptions for projection purposes were identical to the valuation assumptions outlined above.

WORKFORCE SIZE: Constant

NEW ENTRANT DISTRIBUTION: The new entrants are assumed to be all males distributed by age as follows:

Age	Percent	1995 Compensation Level*
20	5.0%	\$27,000
25	40.0	30,500
30	25.0	30,000
35	10.0	30,500
40	10.0	37,500
45	10.0	28,000

*Increases at 5.0% per annum and based on 6/30/95 new member demographics.

INVESTMENTS: The total realized rate of return on adjusted assets was 9% per annum during the projection period.

HISTORICAL MEMBERSHIP DATA—ACTIVE AND RETIRED

The following 4 tables summarize the actuarial valuation data for the period from 1989 through 1999. Since biennial valuations are prepared, the data is available for odd years only.

EMPLOYEES (aggregate compensation and aggregate benefit dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
1999	22,519	\$588,290	\$26,124	3.86%
1997	21,307	535,936	25,153	(1.26)
1995	20,717	527,715	25,473	5.51
1993	19,730	476,326	24,142	5.47
1991	18,971	434,225	22,889	11.16
1989	18,439	379,672	20,591	10.96

RETIRED MEMBERSHIP DATA

ADDED TO ROLLS			REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES		
1999	1,183	\$10,077	571	\$3,195	7,928	\$61,501	20.00 %	\$7,757
1997	1,064	9,120	578	2,724	7,316	51,249	19.11	7,005
1995	1,195	N/A	393	N/A	6,830	43,027	26.95	6,300
1993	855	N/A	302	N/A	6,028	33,892	18.77	5,622
1991	928	N/A	394	N/A	5,475	28,535	25.38	5,212
1989	854	N/A	260	N/A	4,941	22,758	54.15	4,606

TEACHERS (aggregate compensation and aggregate benefit dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
1999	16,034	\$609,275	\$37,999	3.27%
1997	15,062	554,208	36,795	3.09
1995	14,419	514,653	35,693	2.41
1993	13,889	484,070	34,853	6.50
1991	13,693	448,107	32,725	25.15
1989	14,849	388,277	26,148	20.93

RETIRED MEMBERSHIP DATA

ADDED TO ROLLS			REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES		
1999	685	\$11,458	292	\$2,504	4,289	\$61,301	25.29 %	\$14,293
1997	583	9,528	294	2,220	3,896	48,927	28.21	12,558
1995	627	N/A	204	N/A	3,607	38,161	45.93	10,580
1993	428	N/A	165	N/A	3,184	26,151	31.41	8,213
1991	334	N/A	228	N/A	2,921	19,900	20.73	6,813
1989	277	N/A	152	N/A	2,815	16,483	38.32	5,855

* Includes beneficiaries in receipt but excludes deferred vested terminations.

** Includes additional COLA allowances. The benefit amounts shown are the monthly benefits as of the valuation date annualized and are not the actual benefits paid during the fiscal year.

*** Excludes temporary inactive members.

POLICE OFFICERS

(aggregate compensation and aggregate benefit dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
1999	3,600	\$137,981	\$38,328	4.30%
1997	3,393	124,669	36,743	3.97
1995	3,254	114,994	35,339	1.52
1993	2,980	103,734	34,810	7.15
1991	2,914	94,670	32,488	10.85
1989	2,664	78,078	29,309	14.72

RETIRED MEMBERSHIP DATA

ADDED TO ROLLS			REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES		
1999	238	\$5,790	39	\$604	1,369	\$30,490	30.00 %	\$22,272
1997	167	3,252	54	648	1,170	23,450	22.39	20,043
1995	194	N/A	32	N/A	1,057	19,160	41.07	18,127
1993	122	N/A	19	N/A	895	13,582	22.51	15,175
1991	141	N/A	36	N/A	792	11,086	34.23	13,998
1989	124	N/A	34	N/A	687	8,259	46.13	12,022

FIREFIIGHTERS

(aggregate compensation and aggregate benefit dollars in thousands)

ACTIVE MEMBERSHIP DATA

FISCAL YEAR	NUMBER OF ACTIVES***	AGGREGATE COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
1999	1,339	\$58,081	\$43,376	6.50%
1997	1,289	52,500	40,729	4.68
1995	1,289	50,151	38,907	6.51
1993	1,287	47,013	36,529	9.54
1991	1,307	43,586	33,348	12.97
1989	1,262	37,252	29,518	17.57

RETIRED MEMBERSHIP DATA

ADDED TO ROLLS			REMOVED FROM ROLLS		ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
FISCAL YEAR	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES	NO.*	ANNUAL** ALLOWANCES		
1999	108	\$2,684	41	\$514	781	\$15,787	25.03 %	\$20,214
1997	93	2,244	38	432	714	12,627	23.01	17,685
1995	63	N/A	28	N/A	659	10,265	19.35	15,576
1993	60	N/A	22	N/A	624	8,601	15.06	13,784
1991	72	N/A	26	N/A	586	7,475	19.58	12,756
1989	71	N/A	26	N/A	540	6,251	34.03	11,576

* Includes beneficiaries in receipt but excludes deferred vested terminations.

** Includes additional COLA allowances. The benefit amounts shown are the monthly benefits as of the valuation date annualized and are not the actual benefits paid during the fiscal year.

*** Excludes temporary inactive members.

SOLVENCY TEST

TOTAL OF ALL GROUPS

(dollars in thousands)

Fiscal Year	Accrued Liabilities For			Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*		(1)	(2)	(3)
1999	\$ 1,229,239	\$ 1,464,941	\$ 535,011	\$ 2,886,526	100.00%	100.00%	35.95%
1998	\$ 1,129,695	\$ 1,278,159	\$ 516,804	\$ 3,167,053	100.00%	100.00%	100.00%
1997	\$ 1,027,616	\$ 1,172,285	\$ 477,131	\$ 2,941,505	100.00%	100.00%	100.00%
1996	\$ 929,829	\$ 986,295	\$ 502,774	\$ 2,547,190	100.00%	100.00%	100.00%
1995	\$ 843,880	\$ 933,696	\$ 447,463	\$ 2,303,656	100.00%	100.00%	100.00%
1994	\$ 765,293	\$ 718,777	\$ 470,088	\$ 1,890,686	100.00%	100.00%	86.50%

EMPLOYEES

(dollars in thousands)

Fiscal Year	Accrued Liabilities For			Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*		(1)	(2)	(3)
1999	\$ 419,864	\$ 501,219	\$ 131,556	\$ 888,554	100.00%	93.51%	0.00%
1998	\$ 381,408	\$ 453,196	\$ 129,150	\$ 982,255	100.00%	100.00%	100.00%
1997	\$ 347,726	\$ 418,829	\$ 117,983	\$ 914,804	100.00%	100.00%	100.00%
1996	\$ 315,455	\$ 355,207	\$ 137,050	\$ 794,959	100.00%	100.00%	90.69%
1995	\$ 285,352	\$ 348,292	\$ 119,045	\$ 731,764	100.00%	100.00%	82.42%
1994	\$ 257,003	\$ 279,922	\$ 125,377	\$ 607,618	100.00%	100.00%	56.38%

TEACHERS

(dollars in thousands)

Fiscal Year	Accrued Liabilities For			Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*		(1)	(2)	(3)
1999	\$ 537,114	\$ 528,764	\$ 245,278	\$ 1,190,269	100.00%	100.00%	50.71%
1998	\$ 495,845	\$ 450,786	\$ 244,476	\$ 1,301,650	100.00%	100.00%	100.00%
1997	\$ 446,967	\$ 417,390	\$ 223,086	\$ 1,196,062	100.00%	100.00%	100.00%
1996	\$ 405,916	\$ 338,028	\$ 234,448	\$ 1,028,870	100.00%	100.00%	100.00%
1995	\$ 368,898	\$ 316,379	\$ 203,703	\$ 910,976	100.00%	100.00%	100.00%
1994	\$ 336,635	\$ 222,481	\$ 218,242	\$ 740,615	100.00%	100.00%	83.16%

* Liabilities for active members are based on service as of the valuation date and projected compensation at the member's expected retirement date. Also includes terminated vested members.

** Based on Actuarial Value of Assets excluding Special Account and reserve for medical subsidy and transfer to non-governmental employees for Fiscal Year 1999 and based on Fair Value of Assets for Fiscal Years prior to 1999.

NOTE: Based on a 9% interest rate.

POLICE OFFICERS

(dollars in thousands)

Fiscal Year	Accrued Liabilities For			Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*		(1)	(2)	(3)
1999	\$ 175,847	\$ 291,465	\$ 102,361	\$ 545,198	100.00%	100.00%	76.09%
1998	\$ 163,055	\$ 250,584	\$ 93,394	\$ 603,742	100.00%	100.00%	100.00%
1997	\$ 150,905	\$ 223,626	\$ 88,849	\$ 564,654	100.00%	100.00%	100.00%
1996	\$ 134,743	\$ 195,777	\$ 77,509	\$ 489,653	100.00%	100.00%	100.00%
1995	\$ 121,097	\$ 179,281	\$ 74,111	\$ 443,080	100.00%	100.00%	100.00%
1994	\$ 110,804	\$ 135,979	\$ 78,246	\$ 361,704	100.00%	100.00%	100.00%

FIREFIIGHTERS

(dollars in thousands)

Fiscal Year	Accrued Liabilities For			Net Assets Held For Benefits**	Percentage of Accrued Liabilities Covered By Net Assets Held for Benefits		
	(1) Aggregate Member Contributions	(2) Current Retirees & Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)*		(1)	(2)	(3)
1999	\$ 96,414	\$ 143,493	\$ 55,816	\$ 262,505	100.00%	100.00%	40.49%
1998	\$ 89,387	\$ 123,593	\$ 49,784	\$ 279,406	100.00%	100.00%	100.00%
1997	\$ 82,018	\$ 112,440	\$ 47,213	\$ 265,985	100.00%	100.00%	100.00%
1996	\$ 73,715	\$ 97,283	\$ 53,767	\$ 233,708	100.00%	100.00%	100.00%
1995	\$ 68,533	\$ 89,744	\$ 50,604	\$ 217,836	100.00%	100.00%	100.00%
1994	\$ 60,851	\$ 80,395	\$ 48,223	\$ 180,749	100.00%	100.00%	81.92%

* Liabilities for active members are based on service as of the valuation date and projected compensation at the member's expected retirement date. Also includes terminated vested members.

** Based on Actuarial Value of Assets excluding Special Account and reserve for medical subsidy and transfer to non-governmental employees for Fiscal Year 1999 and based on Fair Value of Assets for Fiscal Years prior to 1999.

NOTE: Based on a 9% interest rate.

ANALYSIS OF PAST FINANCIAL EXPERIENCE

This presentation shows the experience of actual financial results relative to expected results. It is an analysis which focuses on actuarial gains and losses over the most recent five actuarial valuations and reconciles the difference in the actuarial normal contribution rates from the expected to actual values.

RECONCILIATION OF EMPLOYER NORMAL RATE *

EMPLOYEES

YEAR ENDED	June 30 1999	June 30 1997	June 30 1995	June 30 1993	June 30 1991
Projected Normal Rate*	3.94%	3.86%	3.14%	2.65%	6.79%
Decremental Experience	.15	.19	.17	.11	.09
Pensioner's Experience	.01	.01	.02	.01	.05
Excess Salary Increases	(.05)	(.13)	(.05)	(.06)	(.07)
Assets Different than Expected	—	(.03)	.06	(.15)	(.08)
Current New Entrants	(.04)	(.04)	(.05)	.01	.43
Amendments	—	—	.01	—	.25
Assumption Changes #	.18	.12	.38	.47	(4.96)
Balancing Items	(.05)	(.04)	.18	.10	.15
ACTUAL NORMAL RATE	4.14%	3.94%	3.86%	3.14%	2.65%

TEACHERS

YEAR ENDED	June 30 1999	June 30 1997	June 30 1995	June 30 1993	June 30 1991
Projected Normal Rate *	4.11%	4.05%	3.35%	2.79%	5.23%
Decremental Experience	.12	.12	.12	.12	.18
Pensioner's Experience	—	—	.01	.03	(.01)
Excess Salary Increases	(.15)	(.17)	(.30)	(.08)	.17
Assets Different than Expected	(.12)	(.03)	.02	(.19)	.17
Current New Entrants	(.07)	(.05)	(.05)	—	.31
Amendments	—	—	—	—	.20
Assumption Changes #	.09	.16	.49	.91	(3.20)
Balancing Items	(.01)	.03	.41	(.23)	(.26)
ACTUAL NORMAL RATE	3.97%	4.11%	4.05%	3.35%	2.79%

* Based on forecast valuations.

Includes severance and new entrant population assumption changes.

This presentation shows the experience of actual financial results relative to expected results. It is an analysis which focuses on actuarial gains and losses over the most recent five actuarial valuations and reconciles the difference in the actuarial normal contribution rates from the expected to actual values.

RECONCILIATION OF EMPLOYER NORMAL RATE *

POLICE OFFICERS

YEAR ENDED	June 30 1999	June 30 1997	June 30 1995	June 30 1993	June 30 1991
Projected Normal Rate *	7.13%	5.22%	3.81%	5.07%	10.85%
Decremental Experience	.34	.23	.33	.15	.03
Pensioner's Experience	.05	.04	.06	(.01)	.48
Excess Salary Increases	—	(.15)	(.24)	.01	.31
Assets Different than Expected	.05	(.10)	.18	(.71)	(.28)
Current New Entrants	(.01)	.04	.01	(.02)	.72
Amendments	—	—	.07	(.01)	—
Assumption Changes #	.50	1.24	.87	(.98)	(7.49)
Demographics	—	.43	—	—	—
Balancing Items	.14	.18	.13	.31	.45
ACTUAL NORMAL RATE	8.20%	7.13%	5.22%	3.81%	5.07%

FIREFIIGHTERS

YEAR ENDED	June 30 1999	June 30 1997	June 30 1995	June 30 1993	June 30 1991
Projected Normal Rate *	8.30%	7.61%	6.47%	8.15%	15.14%
Decremental Experience	.21	.34	(.05)	(.14)	(.12)
Pensioner's Experience	.05	.09	.23	(.10)	1.06
Excess Salary Increases	.05	(.08)	(.36)	.13	.08
Assets Different than Expected	.62	(.04)	.22	(.18)	(.42)
Current New Entrants	(.03)	.08	.01	.07	1.05
Amendments	—	—	.06	(.01)	—
Assumption Changes #	.91	(.50)	1.07	(1.41)	(9.49)
Demographics	—	.57	—	—	—
Balancing Items	.06	.23	(.04)	(.04)	.85
ACTUAL NORMAL RATE	10.17%	8.30%	7.61%	6.47%	8.15%

* Based on forecast valuations.

Includes severance and new entrant population assumption changes.

SUMMARY OF PRINCIPAL PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

1—GENERAL

Plan Name	New Hampshire Retirement System.
Effective Date	July 1, 1967.
Membership	Prospectively, any employee, teacher, permanent police officer or permanent firefighter becomes a member as a condition of employment; except in the case of elected officials or officials appointed for fixed terms, membership is optional.
Average Final Compensation (AFC)	Average annual compensation during highest 3 years.
NOTE:	A more detailed description of the plan provisions is available from the System's administrative office.

2—BENEFITS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

Service Retirement

Eligibility	Age 60.
Amount of Benefit	<p>A member annuity equal to the actuarial equivalent of the member's accumulated contributions plus a state annuity.</p> <p>Prior to the member's attainment of age 65, the state annuity, together with the member annuity, shall be equal to 1/60 of AFC multiplied by years of service.</p> <p>After attainment of age 65, the state annuity, together with the member annuity, shall be equal to 1/66 of AFC multiplied by years of service.</p>

Reduced Service Retirement

Eligibility	Age plus service of at least 70, provided the member has at least 20 years of service or age 50 with at least 10 years of service.
Amount of Benefit	Service retirement benefit is reduced by the following percents for each month that benefits commence prior to age 60.

	Years of Service at Retirement	Monthly Percent Reduction
	35 or more	1/8 of 1%
	30–35	1/4 of 1%
	25–30	1/3 of 1%
	20–25	5/12 of 1%
	less than 20	5/9 of 1%

Ordinary Disability Retirement

Eligibility	10 years of service and permanent disability.
Amount of Benefit	Service retirement benefit if age 60, otherwise a member annuity plus a state annuity which together equals 1.5% of AFC multiplied by the number of years of creditable service at the time of disability; provided that the benefit shall not be less than 25% of AFC.

Accidental Disability Retirement

Eligibility	Permanently disabled due to accident occurring while in the performance of duty.
Amount of Benefit	Service retirement benefit if age 60, otherwise a member annuity plus a state annuity which together equals 50% of AFC; provided that the benefit shall not be less than 50% of AFC.

Ordinary Death Benefit

Eligibility	Death, other than accidental death.
Amount of Benefit	<p>(a) If eligible for service retirement and,</p> <p>(i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage;</p> <p>(ii) if no surviving spouse or member designated a beneficiary other than a spouse, a lump sum equal to the greater of \$3,600 or the member's annual compensation.</p> <p>(b) If not eligible for service retirement, a lump sum equal to the greater of \$3,600 or the member's annual compensation.</p>

Accidental Death Benefit

Eligibility	Accidental death occurring while in the performance of duty.
Amount of Benefit	Benefit equal to 50% of AFC.

Vested Deferred Retirement

Eligibility	10 years of service, if no withdrawal of contributions.
Amount of Benefit	Payable at age 60, a member annuity plus a state annuity which together equals the service retirement benefit that would be payable after age 60. The benefit changes at age 65 as for service retirement. At any time after attainment of age 50, a member may have his benefit commence early, however, the benefit will be reduced for early commencement using the same early retirement reduction factors as described under reduced service retirement.

Return of Members' Contributions

- (a) Upon termination of service other than for retirement or death, and if vested deferred retirement benefit has not been elected, the member's accumulated contributions are returned to him.
- (b) Upon accidental death or upon other death for which no surviving spouse's benefit is payable, the member's accumulated contributions will be paid to the member's beneficiary or estate.
- (c) Upon death prior to age 60 of a member on deferred vested retirement, the member's accumulated contributions will be paid to the member's beneficiary or estate.
- (d) Upon death of a retired member (or the survivor of a retired member, if an optional benefit was elected), the excess of his accumulated contributions at retirement over the benefits received by the retired member (and, in the case of election of an optional benefit, the benefits received by the survivor) will be paid to the beneficiary or estate of the member.

Special Provisions Applicable to Certain Members Transferred from the Employees' Retirement System of the State of New Hampshire

Certain employee members transferred to the New Hampshire Retirement System effective January 1, 1976 have elected to have their benefits calculated on the basis of the provisions of the Predecessor System.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

Service Retirement	
Eligibility	Age 45 and 20 years service or age 60 if earlier (age 65 before July 1, 1989), regardless of number of years of service.
Amount of Benefit	A member annuity equal to the actuarial equivalent of the member's accumulated contributions plus a state annuity which together with the member annuity is equal to 2-1/2% of AFC times years of service, but not more than 40 years. Effective July 1, 1992, if a member retires on a full service retirement, the minimum annual benefit (prior to reduction for optional form of payment) is \$5,200. The minimum annual benefit is reduced for benefits payable from Social Security and from any public body benefits.
Ordinary Disability Retirement	
Eligibility	10 years service and permanent disability.
Amount of Benefit	A member annuity plus a state annuity which together equals the service retirement benefit; provided that the benefit shall not be less than 25% of the member's annual compensation.
Accidental Disability Retirement	
Eligibility	Permanent disability occurring while in the performance of duty.
Amount of Benefit	A member annuity as for service retirement plus a state annuity which together with the member annuity is equal to 2/3 of AFC. If a member has completed more than 26-2/3 years of service, then a supplemental disability allowance will also be paid equal to 2-1/2% of AFC multiplied by service in excess of 26-2/3 years but not in excess of 40 years.
Ordinary Death Benefit	
Eligibility	Death other than accidental death.
Amount of Benefit	<p>(a) If eligible for service retirement and,</p> <p>(i) if survived by a spouse, 50% of the service retirement benefit payable until death or remarriage.</p> <p>(ii) if no surviving spouse or member designated a beneficiary other than a spouse, a lump sum equal to the greater of \$3,600 or member's annual compensation.</p> <p>(b) If not eligible for service retirement, a lump sum equal to the greater of \$3,600 or the member's annual compensation.</p>
Accidental Death Benefit	
Eligibility	Accidental death occurring while in the performance of duty.
Amount of Benefit	A state annuity payable first to spouse until death or remarriage, then to children under age 18 or if no spouse or children, to dependent parent, or member's beneficiaries or estate.
Death after Retirement	
Retirement Prior to April 1, 1987	
	Lump sum of \$3,600 unless accidental disability retirement, then surviving spouse receives 50% of the retired member's disability benefits payable until death or remarriage.

Retirement on or after April 1, 1987

Benefit payable to surviving spouse until death or remarriage equal to 50% of the member's service, ordinary disability or accidental disability retirement allowance if member was married on the date of retirement plus a lump sum. The lump sum shall be equal to:

If retired prior to July 1, 1988: \$ 3,600

If retired on or after July 1, 1988:

If Group II member as of June 30, 1988 \$10,000

If becomes a Group II member after June 30, 1988 and prior to July 1, 1993 \$ 3,600

Special Death Benefit—Old Firefighter's System

Continuance of duty connected disability benefits to spouse of deceased retired member payable until death or remarriage.

Vested Deferred Retirement

Eligibility 10 years of service, if no withdrawal of contributions.

Amount of Benefit Payable when the member would be age 45 with 20 years of service, a benefit determined as for service retirement.

Return of Members' Contributions

- (a) Upon termination of service other than for retirement or death, and if vested deferred retirement has not been elected, the member's accumulated contributions are returned to the member.
 - (b) Upon accidental death or upon other death for which no surviving spouse's benefit is payable, the member's accumulated contributions will be paid to the member's beneficiary or estate.
 - (c) Upon death of a member on vested deferred retirement prior to the time benefits commence, the member's accumulated contributions will be paid to the member's beneficiary or estate.
 - (d) Upon death of the survivor of a member retired on accidental disability and his spouse in receipt of the accidental disability survivor benefit, the excess of the member's accumulated contributions at retirement over the benefits received by the member and the spouse will be paid to the beneficiary or estate.
 - (e) Upon death of a retired member (or the survivor of a retired member, if an optional benefit was elected), the excess of accumulated contributions at retirement over the benefits received by the retired member (and, in the case of election of an optional benefit, the benefits received by the survivor) will be paid to the beneficiary or estate of the member.
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Benefits for Call Firefighters

Accidental Disability Annual benefit not to exceed \$1,250 if permanently disabled while in the performance of duty.

Accidental Death

Annual benefit not to exceed \$1,250 if death as a result of injury received while in the performance of duty. Paid to spouse until death or remarriage, then to children until age 18 or if no spouse or children under 18, to the dependent parent.

Death after Accidental Disability

Upon death of a call firefighter receiving accidental disability benefits, the benefit will continue to be paid to the spouse until death or remarriage, then to children under age 18.

3—CONTRIBUTIONS

GROUP I MEMBERS (EMPLOYEES AND TEACHERS)

By Members	5.00% of compensation.
By Employer	
For Employee Members	100% of the normal contribution rate for their employees plus accrued liability contributions, if any.
For Teacher Members	65% of the normal contribution rate for their employees plus 65% of the accrued liability contributions, if any.
By the State	
For Employee Members	100% of the normal contribution rate for its employees plus accrued liability contributions, plus any delinquent accrued liability contributions.
For Teacher Members	35% of the normal contribution rate for the employees of the employing subdivisions plus 35% of the accrued liability contributions, if any, plus any delinquent accrued liability contributions. In the case of teacher members employed by the state, the state shall pay 100% of both the normal and accrued liability contributions, if any.

GROUP II MEMBERS (POLICE OFFICERS AND FIREFIGHTERS)

By Members	
Police Officers and Firefighters	9.30% of compensation.
Call Firefighters	\$6 per year (not refundable).
By Employing Subdivisions	65% of the normal contribution rate for their employees plus 65% of the accrued liability contributions, if any.
By the State	35% of the normal contribution rate for the employees of the employing subdivision plus 35% accrued liability contributions, if any, plus any delinquent accrued liability contributions. In the case of Group II members employed by the state, the state shall pay 100% of both the normal and accrued liability contributions, if any.

CHANGES IN PLAN PROVISIONS

The June 30, 1995 valuation determined the contributions of the System for the fiscal years ended June 30, 1999 and June 30, 1998. The funded ratio information on pages 66, 67 and 68 is as of June 30, 1999 and June 30, 1998. The liabilities shown for the System reflect all legislation enacted as of the measurement date. For a summary of the legislation reflected see page 35.

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SCHEDULES OF REVENUES AND EXPENSES

SCHEDULES OF REVENUES AND EXPENSES—COMBINED PLANS

REVENUE BY SOURCE

(dollars in thousands)

Fiscal Year	Member Contributions	Employer Contributions Dollars	% of Annual Covered Payroll	Investment Income	Other	Total
1999	\$81,566	\$61,342	4.4%	\$506,486	\$7,736	\$657,130
1998	77,395	58,977	4.6	534,385	9,935	680,692
1997	73,669	46,151	3.6	511,049	5,776	636,645
1996	71,674	44,903	3.7	407,528	5,267	529,372
1995	69,035	40,034	3.3	393,100	2,934	505,103
1994	65,556	38,796	3.3	30,241	2,907	137,500

EXPENSES BY TYPE

(dollars in thousands)

Fiscal Year	Benefits	Administrative Expenses	Refunds	Other	Total
1999	\$161,583	\$3,367	\$17,411	\$4,002	\$186,363
1998	144,300	4,642	16,939	3,773	169,654
1997	130,525	3,581	15,603	3,748	153,457
1996	117,499	3,256	12,673	3,172	136,600
1995	105,531	3,037	10,961	615	120,144
1994	93,071	2,952	9,306	756	106,085

SCHEDULE OF BENEFIT PAYMENTS BY TYPE

BENEFIT PAYMENTS BY TYPE—COMBINED PLANS* (in thousands)

Fiscal Year	Type of Retirement	Employees	Teachers	Police Officers	Firefighters	Total
1999	Service & Early Retirements	\$52,458	\$57,995	\$23,644	\$11,799	\$145,896
	Ordinary Disability Retirements	1,704	1,475	510	424	4,113
	Accidental Disability Retirements	3,275	196	4,674	2,019	10,164
	Ordinary Death in Active Service	93	74	30	20	217
	Accidental Death in Active Service	90	80	258	191	619
	Beneficiaries**	3,881	1,480	1,373	1,335	8,069
	Refunds	10,629	5,304	2,586	552	19,071
	Postretirement Medical Premium Subsidies	—	—	3,340	1,809	5,149
	Total	\$72,130	\$66,604	\$36,415	\$18,149	\$193,298
1997	Service & Early Retirements	\$44,160	\$46,350	\$17,885	\$ 9,062	\$117,457
	Ordinary Disability Retirements	1,331	1,233	403	450	3,417
	Accidental Disability Retirements	2,555	143	3,870	1,765	8,333
	Ordinary Death in Active Service	106	69	28	35	238
	Accidental Death in Active Service	95	91	206	219	611
	Beneficiaries**	3,003	1,041	1,058	1,096	6,198
	Refunds	8,545	6,209	2,016	765	17,535
	Postretirement Medical Premium Subsidies	—	—	2,547	1,466	4,013
	Total	\$59,795	\$55,136	\$28,013	\$14,858	\$157,802

* Includes COLA allowances.

** Beneficiaries of deceased members who retired on a service or disability retirement.

NOTE: Fiscal years 1999 and 1997 are the only data available at this time. Data for future years will be reported prospectively.

Refunds (including lump sum death benefits) and postretirement medical premium subsidies are the actual payments made during the 1999 fiscal year. Since benefit payments for fiscal year 1999 are not available by type of retirement, the amounts shown above for the 1999 fiscal year are estimates based on annualized benefit payments as of July 1, 1999 because of the valuation year.

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS AS OF JUNE 30, 1999

		Type of Retirement**						
Amount of Monthly Benefit	Number of Retirants	1	2	3	4	5	6	7
EMPLOYEES								
\$1-250	2,075	1,718	18	1	5	—	256	77
251-500	2,249	1,850	89	17	4	—	173	116
501-750	1,439	1,112	86	76	6	2	102	55
751-1,000	900	713	17	99	1	1	46	23
1,001-1,250	537	430	14	53	—	2	29	9
1,251-1,500	360	296	3	23	1	1	26	10
1,501-1,750	207	185	3	9	—	1	7	2
1,751-2,000	167	149	2	6	—	—	7	3
Over 2,000	291	266	4	6	—	—	13	2
Totals	8,225	6,719	236	290	17	7	659	297
TEACHERS								
\$1-250	347	210	4	—	—	—	26	107
251-500	639	511	13	—	1	1	34	79
501-750	732	621	40	—	1	—	24	46
751-1,000	555	482	30	3	—	—	16	24
1,001-1,250	499	449	16	2	2	1	15	14
1,251-1,500	420	395	12	3	—	—	5	5
1,501-1,750	429	406	5	2	2	2	11	1
1,751-2,000	306	286	11	1	—	1	5	2
Over 2,000	641	627	1	1	—	—	11	1
Totals	4,568	3,987	132	12	6	5	147	279
POLICE OFFICERS								
\$1-250	66	50	2	4	—	3	5	2
251-500	60	28	6	4	—	1	9	12
501-750	99	58	12	4	—	1	19	5
751-1,000	123	73	11	7	—	4	26	2
1,001-1,250	112	81	6	13	—	1	11	—
1,251-1,500	106	76	3	21	—	1	5	—
1,501-1,750	136	96	3	34	—	—	3	—
1,751-2,000	144	101	1	36	—	1	4	1
Over 2,000	545	439	2	82	1	4	17	—
Totals	1,391	1,002	46	215	1	16	99	22
FIREFIGHTERS								
\$1-250	6	1	1	—	—	2	1	1
251-500	40	10	—	2	—	3	23	2
501-750	56	21	7	2	—	—	25	1
751-1,000	93	40	3	13	—	6	30	1
1,001-1,250	107	71	6	15	—	2	12	1
1,251-1,500	90	53	8	19	—	1	9	—
1,501-1,750	79	56	1	11	1	1	9	—
1,751-2,000	68	45	2	19	—	1	1	—
Over 2,000	248	217	2	23	—	1	5	—
Totals	787	514	30	104	1	17	115	6

**Type of Retirement: 1—Service and early retirement. 2—Ordinary disability retirement. 3—Accidental disability retirement. 4—Ordinary death in active service. 5—Accidental death in active service. 6—Beneficiaries of deceased members who retired on a service or disability allowance. 7—Vested member with future benefit

Option Selected #									
No Option	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9
1,038	345	268	105	312	6	—	—	1	—
1,214	338	241	97	341	17	—	—	—	1
716	191	148	68	301	13	—	—	2	—
453	103	91	55	194	4	—	—	—	—
217	67	69	36	140	7	—	—	1	—
142	26	64	19	102	4	—	—	3	—
77	17	30	11	71	1	—	—	—	—
51	8	30	10	63	5	—	—	—	—
65	22	53	26	121	4	—	—	—	—
3,973	1,117	994	427	1,645	61	—	—	7	1
235	65	20	3	22	2	—	—	—	—
345	184	35	13	58	4	—	—	—	—
367	231	31	20	81	2	—	—	—	—
297	130	31	25	60	12	—	—	—	—
247	86	43	20	97	6	—	—	—	—
178	73	39	15	110	4	—	—	—	1
215	33	41	18	116	5	—	—	1	—
158	27	22	9	88	2	—	—	—	—
291	60	66	28	186	8	—	—	—	2
2,333	889	328	151	818	45	—	—	1	3
37	3	5	7	14	—	—	—	—	—
42	8	2	1	6	1	—	—	—	—
60	14	8	2	1	12	3	—	—	—
63	19	5	10	26	—	—	—	—	—
54	16	9	8	24	1	—	—	—	—
45	13	9	11	27	1	—	—	—	—
71	12	4	16	28	5	—	—	—	—
81	19	5	11	25	3	—	—	—	—
215	53	18	85	140	32	—	—	1	1
668	157	65	151	291	55	3	—	1	1
4	1	1	—	—	—	—	—	—	—
13	15	4	2	5	1	—	—	—	—
21	14	9	4	8	—	—	—	—	—
44	20	9	9	11	—	—	—	—	—
58	18	10	9	9	3	—	—	—	—
44	15	6	9	14	2	—	—	—	—
40	10	7	10	10	2	—	—	—	—
29	7	5	6	20	1	—	—	—	—
88	20	5	40	84	11	—	—	—	—
341	120	56	89	161	20	—	—	—	—

#Option Selected: No option—Straight life. Option 1—Cash refund. Option 2—100% Joint & Survivorship. Option 3—50% Joint & Survivorship. Option 4—100% Pop-Up. Option 5—50% Pop-Up. Option 6—Other % Joint & Survivorship. Option 7—Other % Pop-Up. Option 8—Fixed amount to Beneficiaries. Option 9—Widow's benefit (accidental disability) 50%

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS

EMPLOYEES

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	125*	621	1,198	2,064
Annual Benefits	\$2,256,792	\$1,579,858	\$3,713,011	\$9,799,710
Avg. Monthly Benefit	\$1,505	\$212	\$258	\$396
* Includes 17 members who did not have service reported.				

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	508*	1,131	1,775	1,305
Annual Benefits	\$1,124,799	\$2,901,573	\$7,403,767	\$8,092,767
Avg. Monthly Benefit	\$185	\$214	\$348	\$517
* Includes 17 members who did not have service reported.				

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	477*	1,082	1,619	1,215
Annual Benefits	\$909,794	\$2,403,358	\$5,994,383	\$6,793,032
Avg. Monthly Benefit	\$159	\$185	\$309	\$466
* Includes 11 members who did not have service reported.				

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	420*	924	1,450	1,049
Annual Benefits	\$627,787	\$1,721,776	\$4,775,786	\$5,110,249
Avg. Monthly Benefit	\$125	\$155	\$274	\$406
* Includes 9 members who did not have service reported.				

TEACHERS

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	92*	58	138	624
Annual Benefits	\$2,027,011	\$224,987	\$513,560	\$3,537,762
Avg. Monthly Benefit	\$1,836	\$323	\$310	\$472
* Includes 11 members who did not have service reported.				

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	57*	140	548	630
Annual Benefits	\$180,631	\$426,864	\$2,676,466	\$4,658,727
Avg. Monthly Benefit	\$264	\$254	\$407	\$616
* Includes 11 members who did not have service reported.				

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	51*	147	520	629
Annual Benefits	\$144,208	\$380,494	\$2,136,263	\$3,990,777
Avg. Monthly Benefit	\$236	\$216	\$342	\$529
* Includes 6 members who did not have service reported.				

Service	0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees	46*	131	490	612
Annual Benefits	\$125,791	\$261,530	\$1,660,839	\$3,198,819
Avg. Monthly Benefit	\$228	\$166	\$282	\$436
* Includes 6 members who did not have service reported.				

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1999 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
1,379	988	590	570	361	32	7,928
\$9,758,421	\$9,522,768	\$7,472,894	\$9,601,520	\$7,208,456	\$587,964	\$61,501,394
\$590	\$803	\$1,055	\$1,404	\$1,664	\$1,531	\$646
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1997 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
941	573	555	356	139	33	7,316
\$7,960,802	\$6,233,554	\$8,443,032	\$6,395,147	\$2,169,857	\$524,130	\$51,249,428
\$705	\$907	\$1,268	\$1,497	\$1,301	\$1,324	\$584
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1995 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
852	549	518	338	145	35	6,830
\$6,545,332	\$5,439,064	\$7,002,962	\$5,500,902	\$1,995,547	\$442,440	\$43,026,814
\$640	\$826	\$1,127	\$1,356	\$1,147	\$1,053	\$525
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1993 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
727	490	472	314	144	38	6,028
\$4,905,194	\$4,273,984	\$5,635,473	\$4,667,010	\$1,726,640	\$447,933	\$33,891,832
\$562	\$727	\$995	\$1,239	\$999	\$982	\$469
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1999 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
661	852	724	738	383	19	4,289
\$5,617,830	\$10,874,303	\$12,457,317	\$16,052,553	\$9,604,336	\$390,970	\$61,300,629
\$708	\$1,064	\$1,434	\$1,813	\$2,090	\$1,715	\$1,191
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1997 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
781	622	617	362	115	24	3,896
\$8,953,020	\$9,502,002	\$12,155,987	\$7,753,880	\$2,176,905	\$442,844	\$48,927,326
\$955	\$1,273	\$1,642	\$1,785	\$1,577	\$1,538	\$1,047
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1995 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
718	523	522	334	129	34	3,607
\$7,147,595	\$6,895,001	\$9,067,061	\$5,926,742	\$1,944,763	\$527,757	\$38,160,661
\$830	\$1,099	\$1,447	\$1,479	\$1,256	\$1,294	\$882
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1993 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
615	421	390	295	142	42	3,184
\$4,833,061	\$4,464,788	\$5,364,163	\$3,971,190	\$1,741,529	\$529,743	\$26,151,453
\$655	\$884	\$1,146	\$1,122	\$1,022	\$1,051	\$684

SCHEDULES OF AVERAGE BENEFIT PAYMENT AMOUNTS

POLICE OFFICERS	Service	1999			
		0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees		3*	104	91	172
Annual Benefits		\$141,829	\$998,628	\$1,299,420	2,524,099
Avg. Monthly Benefit		\$3,940	\$800	\$1,190	\$1,223
* Includes 6 members who did not have service reported.					
	Service	1997			
		0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees		70*	86	144	129
Annual Benefits		\$631,730	\$1,163,340	\$1,958,132	\$2,166,636
Avg. Monthly Benefit		\$752	\$1,127	\$1,133	\$1,400
* Includes 6 members who did not have service reported.					
	Service	1995			
		0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees		56*	79	129	115
Annual Benefits		\$507,977	\$1,030,681	\$1,604,526	\$1,766,595
Avg. Monthly Benefit		\$756	\$1,087	\$1,037	\$1,280
* Includes 1 member who did not have service reported.					
	Service	1993			
		0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees		40	54	111	96
Annual Benefits		\$396,920	\$665,929	\$1,218,982	\$1,184,260
Avg. Monthly Benefit		\$827	\$1,028	\$915	\$1,028
FIREFIGHTERS	Service	1999			
		0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees		5*	19	27	54
Annual Benefits		\$142,558	\$151,462	\$351,971	\$751,848
Avg. Monthly Benefit		\$2,376	\$664	\$1,086	\$1,160
* Includes 7 members who did not have service reported.					
	Service	1997			
		0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees		19*	22	52	87
Annual Benefits		\$111,377	\$258,415	\$678,311	\$1,353,033
Avg. Monthly Benefit		\$488	\$979	\$1,087	\$1,296
* Includes 7 members who did not have service reported.					
	Service	1995			
		0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees		17*	22	47	83
Annual Benefits		\$72,237	\$261,675	\$583,368	\$1,159,964
Avg. Monthly Benefit		\$354	\$991	\$1,034	\$1,165
* Includes 1 member who did not have service reported.					
	Service	1993			
		0 - 4 yrs.	5 - 9 yrs.	10 - 14 yrs.	15 - 19 yrs.
Total Retirees		16*	21	43	75
Annual Benefits		\$67,143	\$215,122	\$473,594	\$951,779
Avg. Monthly Benefit		\$350	\$854	\$918	\$1,058
* Includes 2 members who did not have service reported.					

20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1999 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
138	600	196	58	7	—	1,369
\$2,624,209	\$15,169,104	\$5,554,529	\$2,006,955	\$171,328	—	\$30,490,101
\$1,585	\$2,107	\$2,362	\$2,884	\$2,040	—	\$1,856
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1997 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
488	181	59	8	5	—	1,170
\$10,956,910	\$4,341,254	\$1,813,002	\$234,573	\$184,659	—	\$23,450,236
\$1,871	\$1,999	\$2,561	\$2,443	\$3,078	—	\$1,670
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1995 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
433	174	57	8	6	—	1,057
\$8,737,269	\$3,595,808	\$1,525,723	\$216,325	\$175,218	—	\$19,160,122
\$1,682	\$1,722	\$2,231	\$2,253	\$2,434	—	\$1,511
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1993 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
370	157	53	8	6	—	895
\$6,123,923	\$2,470,306	\$1,194,615	\$156,987	\$170,044	—	\$13,581,966
\$1,379	\$1,311	\$1,878	\$1,635	\$2,362	—	\$1,265
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1999 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
93	382	140	45	16	—	781
\$1,606,161	\$7,719,758	\$3,245,859	\$1,374,635	\$442,477	—	\$15,786,727
\$1,439	\$1,684	\$1,932	\$2,546	\$2,305	—	\$1,684
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1997 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
336	132	45	15	6	—	714
\$5,852,602	\$2,610,733	\$1,194,908	\$372,674	\$194,973	—	\$12,627,026
\$1,452	\$1,648	\$2,213	\$2,070	\$2,708	—	\$1,474
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1995 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
298	128	42	17	5	—	659
\$4,521,502	\$2,134,183	\$972,389	\$378,429	\$181,127	—	\$10,264,874
\$1,264	\$1,389	\$1,929	\$1,855	\$3,019	—	\$1,298
20 - 24 yrs.	25 - 29 yrs.	30 - 34 yrs.	1993 35 - 39 yrs.	40 - 44 yrs.	45 or more yrs.	Total
281	122	44	18	4	—	624
\$3,783,959	\$1,752,296	\$859,961	\$362,066	\$135,565	—	\$8,601,485
\$1,122	\$1,197	\$1,629	\$1,676	\$2,824	—	\$1,149

LISTING OF PARTICIPATING EMPLOYERS

STATE GOVERNMENT

Adjutant General's Office E, F
 Administrative Services E
 Agriculture E
 Bank Commission E
 Boards and Commissions E
 Board of Accountancy E
 Board of Electricians E
 Board of Land & Tax Appeals E
 Board of Pharmacy E
 Div. of Children & Youth E
 Commissioner of Health and Welfare E
 Corrections E, P
 Cosmetology and Barbering Board E
 Cultural Affairs E
 Education E
 Elderly and Adult Services E
 Employment Security E
 Environmental Services E
 Executive Agencies E
 Fish and Game Commission E, P
 Glenciff Home for the Elderly E
 Div. of Human Services E
 Highway Safety E
 Human Rights Commission E
 Insurance E
 Joint Board E
 Judicial Council E
 Justice E
 Labor E
 Laconia Developmental Services E
 Legislative Branch E
 Liquor Commission E, P
 Mental Health E
 New Hampshire Hospital E

New Hampshire Community Tech College System E
 New Hampshire Office of Emergency Management E
 New Hampshire Port Authority E
 New Hampshire Retirement System E
 New Hampshire Veterans Home E
 Pari-Mutuel Commission E
 Police Standards and Training E, P
 Post Secondary Education Commission E
 Public Employees Labor Relations Board E
 Public Health E
 Public Utilities Commission E
 Real Estate Commission E
 Registration in Medicine E
 Resources and Economic Development E, F
 Revenue Administration E
 Safety E, P, F
 Secretary of State E
 Sweepstakes Commission E
 Transportation E
 Treasury E
 Unified Court System E
 Veterans Council E
 Youth Development Center E

CITIES AND TOWNS (AND RELATED ENTITIES)

Allenstown 2E, P, F
 Alstead P
 Alton E, P
 Amherst P
 Andover P
 Antrim E, P
 Ashland E, P
 Atkinson P

Auburn E, P
 Baker Free Library E
 Barnstead E, P, F
 Barrington E, P
 Bartlett P, F
 B CEP Solid Waste District E
 Bedford P, F
 Belmont E, P, F
 Bennington E, P
 Berlin 2E, P, F
 Bethlehem E, P
 Boscawen E, P
 Bow E, P, F
 Bradford P
 Brentwood P, F
 Bridgewater P
 Bristol E, P
 Brookline E, P
 Campton P
 Campton-Thornton F
 Canaan E, P
 Candia P
 Canterbury P
 Carroll P
 Center Harbor P
 Central Hooksett Water Precinct E
 Charlestown E, P
 Chester P
 Chesterfield E, P
 Chichester P
 Claremont E, P, F
 Colebrook E, P
 Concord 2E, P, F
 Conway E, P, F
 Conway Village Fire District E
 Cornish E
 Danville P
 Deerfield P

KEY: E – Employees T – Teachers P – Police Officers F – Firefighters
 Numbers before Key represent multiple groups.
 SAU – School Administrative Unit

Deering P	Holderness P	Nashua E, P, F
Derry 3E, P, F	Hollis E, P, F	New Boston P
Dover E, P, F	Hooksett 2E, P, F	New Castle E, P
Dublin E, P, F	Hopkinton E, P, F	New Durham E, P
Dunbarton E, P, F	Housing Authority of Salem E	New England Interstate Water Pollution Control Commission E
Durham E, P, F	Hudson E, P, F	New Hampton E, P
East Derry Fire Precinct E, F	Jackson E, P	New Ipswich E, P
East Kingston E, P	Jaffrey P	New London E, P, F
Enfield E, P	Keene E, P, F	New London-Springfield Water Precinct E
Epping E, P, F	Kensington P	Newbury P
Epsom P, F	Kingston E, P	Newfields P
Exeter P, F	Laconia 3E, P, F	Newington P, F
Farmington P	Lakes Region Mutual Fire Aid F	Newmarket 2E, P
Fitzwilliam E, P	Lancaster E, P	Newport E, P, F
Francestown E	Lebanon E, P, F	Newton E, P
Franconia P	Lee P	New Hampshire Municipal Bond Bank E
Franklin E, P, F	Lempster E	North Conway Water Precinct E
Freedom P	Lincoln E, P	North Conway F
Fremont P	Lisbon P	North Hampton E, P, F
Gilford P, F	Litchfield E, P, F	Northfield E, P
Gilmanton E, P, F	Littleton 3E, P, F	Northumberland E, P
Goffstown E, P, F	Londonderry E, P, F	Northwood E, P, F
Goffstown Village Water Precinct E	Loudon E, P, F	Nottingham P
Gorham E, P	Lyme E, P	Orford E, P
Grafton P	Lyndeborough P	Ossipee E, P
Grantham E, P	Madison P	Pease Development Authority E
Greenfield E, P	Manchester P, F	Pelham P, F
Greenland P	Marlborough E, P	Pembroke P
Greenville E, P	Mason P	Penacook-Boscawen WP E
Hampstead E, P	Meredith E, P, F	Peterborough E, P, F
Hampton Falls P	Merrimack P, F	Pittsburg E, P
Hampton E, P, F	Middleton P	Pittsfield E, P
Hancock P	Milford 2E, P, F	Plainfield E, P
Hanover E, P, F	Milton P	Plaistow E, P, F
Haverhill E, P	Monroe E	Plymouth 2E, P, F
Henniker E, P	Mont Vernon E, P	Plymouth Court Jurisdictional Association E
Hillsborough P	Moultonboro E, P, F	Portsmouth 2E, P, F
Hinsdale P	Nashua Airport Authority E	

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Raymond E, P, F
 Rindge P, F
 Rochester E, P, F
 Rollinsford P
 Rumney E, P
 Rye P, F
 Salem 2E, P, F
 Sanbornton E, P
 Sandown P
 Sandwich P
 Seabrook P, F
 Shelburne E
 Somersworth P, F
 South Hampton P
 Southern NH Planning
 Commission E
 Springfield P
 Stark E
 Strafford P
 Stratham E, P
 Sugar Hill E, P
 Sunapee E, P
 Sutton P
 Swanzey P
 SWNH District Fire
 Mutual Aid E, F
 Temple P
 Thornton E, P
 Tilton E, P
 Tilton/Northfield F
 Troy E, P
 Tuftonboro E, P
 Unity E
 Wakefield E, P
 Walpole E, P
 Warner E, P
 Warner Village Water
 District E
 Washington E, P
 Waterville Valley P
 Weare P

Webster E, P
 Westmoreland E
 Whitefield E, P
 Wilton E, P
 Winchester E, P
 Windham E, P, F
 Wolfeboro E, P, F
 Woodstock E, P
 Woodsville E
 Woodsville Fire District E

COUNTY GOVERNMENTS

Belknap County 2E, P
 Carroll County E, P
 Cheshire County E, P
 Coos County 2E, P
 Grafton County E, P
 Hillsborough County E, P
 Merrimack County E, P
 Rockingham County E, P
 Strafford County E, P
 Sullivan County E, P

SCHOOL DISTRICTS

Allenstown School District 2T
 Alton School District E, T
 Amherst School District E, T
 Andover School District E, T
 Ashland School District E, T
 Auburn School District E, T
 Barnstead School District E, T
 Barrington School District E, T
 Bartlett School District E, T
 Bath School District T
 Bedford School District E, T
 Berlin School District E, T
 Bethlehem School District E, T
 Bow School District 2E, T
 Brentwood School District E, T

Brookline School District T
 Campton School District E, T
 Candia School District E, T
 Chester School District E, T
 Chesterfield School District T
 Chichester School District E, T
 Claremont School District E, T
 Colebrook School District T
 Concord School District E, T
 Contoocook Valley Regional
 School District-SAU 1 E, T
 Conway School District E, T
 Cornish School District E, T
 Croydon School District T
 Deerfield School District T
 Dover School District E, T
 Dresden School District E, T
 Dunbarton School District T
 East Kingston School District E, T
 Epping School District E, T
 Epsom School District T
 Errol School District T
 Exeter Area School District E, T
 Exeter Regional Co-Op School
 District E, T
 Fall Mountain Regional School
 District E, T
 Farmington School District E, T
 Franconia School District E
 Franklin School District E, T
 Freedom School District E, T
 Fremont School District E, T
 Gilford School District E, T
 Gilmanton School District E, T
 Goffstown School District T
 Gorham School District E, T
 Goshen-Lempster Coop School
 District E, T
 Governor Wentworth Regional
 School District E, T
 Grantham School District T

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Greenland School District E, T	Londonderry School District E, T	Pelham School District E, T
Hampstead School District E, T	Lyme School District E, T	Pembroke School District 3E, 3T
Hampton Falls School District E, T	Lyndeborough School District T	Pemi-Baker Regional School District E, T
Hampton School District E, T	Madison School District T	Piermont School District T
Hanover School District E, T	Manchester School District T	Pittsburg School District T
Harrisville School District T	Marlborough School District E, T	Pittsfield School District E, T
Haverhill Coop School District E, T	Marlow School District T	Plainfield School District E, T
Henniker School District E, T	Mascenic Regional School District T	Plymouth School District E, T
Hill School District T	Mascoma Valley Regional School District E, T	Portsmouth School District - SAU 52 E, T
Hillsboro-Deering School District E, T	Merrimack School District E, T	Profile School District E, T
Hinsdale School District E, T	Merrimack Valley School District E, T	Raymond School District E, T
Holderness School District T	Milan School District T	Rivendell Interstate School District E
Hollis School District E, T	Milford School District E, T	Rochester School District T
Hollis/Brookline Coop School District E, T	Milton School District E, T	Rollinsford School District E, T
Hooksett School District E, T	Monadnock Regional School District E, T	Rumney School District T
Hopkinton School District E, T	Monroe School District E, T	Rye School District E, T
Hudson School District E, T	Mont Vernon School District E, T	Salem School District E, T
Inter-Lakes School District E, T	Moultonboro School District T	Sanborn Regional School District E, T
Jackson School District E, T	Nashua School District T	Seabrook School District E, T
Jaffrey-Rindge School District E, T	Nelson School District T	Shaker Regional School District T
John Stark Regional School District E, T	New Boston School District E, T	Somersworth School District E, T
Kearsarge Regional School District E, T	New Castle School District E, T	Souhegan Cooperative School District E, T
Keene School District E, T	Newfields School District T	South Hampton School District E, T
Kensington School District T	Newfound Area School District E, T	Stark School District T
Laconia School District E, T	Newington School District E, T	Stewartstown School District T
Lafayette Regional School District T	Newmarket School District E, T	Stoddard School District E, T
Landaff School District T	Newport School District E, T	Strafford School District E, T
Lebanon School District E, T	North Hampton School District E, T	Stratford School District E, T
Lincoln Woodstock Coop School District E, T	Northumberland School District E, T	Stratham School District E, T
Lisbon Regional School District E, T	Northwood School District E, T	Sunapee School District E, T
Litchfield School District E, T	Nottingham School District E, T	Tamworth School District E, T
Littleton School District E, T	Orford School District E, T	Thornton School District E, T
	Oyster River Coop School District E, T	Timberlane Regional School District E, T

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University of New Hampshire-- Keene State College E	SAU 6 E	SAU 42 E
	SAU 7 E, T	SAU 43 E, T
University of New Hampshire-- Plymouth State College E	SAU 8 E	SAU 44 E, T
Unity School District E, T	SAU 9 E, T	SAU 45 E
Wakefield School District E, T	SAU 10 E, T	SAU 46 E
Warren School District E, T	SAU 11 E	SAU 48 E, T
Washington School District T	SAU 13 E	SAU 49 E
Waterville Valley School District E, T	SAU 14 E	SAU 50 E
	SAU 15 E	SAU 51 E, T
Weare School District T	SAU 16 E, T	SAU 53 E, T
Wentworth School District T	SAU 18 E, T	SAU 54 E
Westmoreland School District E, T	SAU 19 E, T	SAU 55 E
	SAU 20 E	SAU 56 E, T
White Mountains Regional School District E, T	SAU 21 E, T	SAU 57 E
Wilton School District T	SAU 23 E, T	SAU 58 E
Wilton-Lyndeborough Coop School District E, T	SAU 24 E, T	SAU 61 E
	SAU 27 E	SAU 63 E, T
Winchester School District E, T	SAU 28 E	SAU 64 E, T
Windham School District E, T	SAU 29 E, T	SAU 65 E
Winnacunnet School District E, T	SAU 30 E, T	SAU 66 E
	SAU 32 E	SAU 67 E
Winnisquam Regional School District E, T	SAU 33 E	SAU 70 E
	SAU 34 E	SAU 74 E, T
	SAU 35 E, T	
SCHOOL ADMINISTRATIVE UNITS	SAU 36 E	
SAU 2 E	SAU 37 E	
SAU 3 E	SAU 38 E, T	
SAU 4 E	SAU 39 E	
SAU 5 E	SAU 41 E	

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